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TOURISM MARKETING

HEARING

BEFORE THE

SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

MARKETING AND THE INTERNATIONAL MARKETPLACE IN TERMS OF INTERNATIONAL TOURISM

OCTOBER 8, 1987

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TOURISM MARKETING

THURSDAY, OCTOBER 8, 1987

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM,
Washington, D.C.

The subcommittee convened at 2:05 p.m. in room SR-253, Russell Senate Office Building, Hon. John D. Rockefeller, IV (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: David St. John, professional staff member; and Gerri Hall, minority professional staff member.

OPENING STATEMENT BY SENATOR ROCKEFELLER

Senator ROCKEFELLER. We are now going to have what I hope will be an informative and useful discussion. Primarily, we are going to be talking about marketing and the international marketplace in terms of international tourism.

What is very clear is that part of the world's economy at least is growing a lot stronger, and the instinct for travel and for tourism around the world is growing.

Japan obviously is strong economically, and they have recently introduced something called a Ten Million Program. What they want to do over the next four years is to double their number of tourists up to a level of 10 million.

Now, that is a challenge to us. They want to do it because they want to reduce their deficits because in the trade areas in which they have a deficit. Tourism is one of the few areas in which we as a country are coming out ahead of the Japanese, the area of international tourism.

So the Japanese wanted to reduce that deficit. They wanted to make money, and they are going at it very systematically.

When we have opportunities to expand tourism such as we do, we cannot afford to rest on the laurels of the beauty and the majesty of our country. We must insure ourselves through our thoughts and actions that the American tourism industry maintains and increases its share of not only the present number of internataional tourists but those who will come on. That means more jobs. That means economic development. And it means reducing our own overall trade deficit.

Obviously it is true that the United States has a very strong reputation as the number one tourism country in the world, but people do not just come here with their wallets open, and they do not all come here. We cannot guarantee that as other countries grow more aggressive that they will not get a larger share of that market than we do.

As in anything else, this is an international marketplace, and tourism is like any other product and any other decision. It can go anywhere, to the consumer or the person who offers the best product at the most reasonable price.

We have to advertise what we are and what we have. We have to attract more people who still do not know about us. We have to understand that we are, as a Nation in terms of tourism, a product, and a product which has brought $22 billion of money alone from international tourists who have come to our shores in the past year. That could easily double if we do what we ought to be doing in this country.

Other nations understand this very well. They understand the economic value of international tourism, and they are very skillfully packaging what they have to offer. In fact, there are 170 countries in this world that maintain national tourism offices to attract inbound tourist dollars.

So we have a lot of competition. Singapore is going to spend a $1.5 dollars over the next five years on attracting tourists to Singapore, and that is not a large country.

Canada is spending $13 million on just one single promotion, which is a campaign of television ads aimed at bringing Americans up north to Canada.

Brazil in 1985 and 1986 spent $21 million on tourism promotion alone. Israel spent $35 million in tourism promotion. Peru spent $17 million. Hungary spent $14 million. The United States spent $12 million for everything that we do as a national government in terms of tourism. Poland spends more on international tourism than we do in the United States.

So obviously the success that we have had so far has not all been due to maximizing our efforts. On a per capita basis we rank low, 47th in the world in terms of spending for the international tourist. I am not talking about domestic tourism. International tourism is the focus of this hearing.

Many of our states are very skillful at this. They recognize the financial importance of international tourism, and they are doing something about it. Hawaii spends $1 million for attracting international tourists, those other than AMERICANS. Florida spent $750,000.

Other states like my own, the State of West Virginia, do not have a lot of money. My state does not have a lot of money, so we cannot spend a lot of money on international tourism. So we have to try to do it in other ways.

Even smaller states like my own, however, are beginning to recognize that with USTTA's help, we can leverage our opportunities.

Last month I had a roundtable discussion, Senator Trible, in the eastern part of our State of West Virginia, the Eastern Panhandle. There, the tourism business is rather active, and we were discussing how we could attract more Canadians to come to our state, particularly that part of our state.

We had a USTTA person there who talked to us about international marketing, and even though a lot of Canadians and Japanese and others are already coming to that part of the state, there was an enormous enthusiasm from some very sophisticated travel people who had not really done or had much experience in terms of attracting the international tourist.

That gave me a sense of the possibilities in terms of attracting more in the future and made me, frankly, feel good.

So the purpose of this hearing, then, is to give a chance to more closely examine what USTTA is doing in terms of its marketing programs overseas, the nuts and bolts, if you will, of how to attract more people from overseas to come to the United States of America and spend their money to help us.

Now, USTTA's approach to marketing has changed over the past couple of years, and we have the agency's Assistant Secretary for Marketing, Dr. Dick Seely, who will be talking in a moment about new promotional activities.

Frankly, I am very much intrigued by their new approach, which is cooperative marketing. That is their new approach. They try to encourage the private sector and states to join with them in various combinations to leverage the scarce dollars that they have to promote this country or regions of this country overseas; a little seed money, the lion's share of the money coming from the states or from private enterprise, airlines or whatever.

They have been doing this, and it has been working. We are going to talk about that. There is a six-week campaign in Great Britain which they have put on, a fly/drive package. They got together with airlines and the New England states, and they are going to tell us about that. I want to question them, as I am sure Senator Trible does.

I am also very pleased, obviously, that Bob Trocin, who is the Commissioner of the West Virginia Department of Commerce, will be testifying here about his agency and the efforts of tourism in and by the State of West Virginia. I am very anxious to hear about what my State of West Virginia is doing now with respect to tourism promotion on an international basis or otherwise.

I know that the Department is sponsoring some Canadian journalists who are coming, and they are going to promote West Virginia through tourism, working on the Canadian journalists. I want to hear about how that is working and what prospects they think there are for that.

So we are here today to learn about international tourism marketing. If it is not international, we are probably not going to be talking about it. Tourism, as Senator Trible and the State of Virginia well know, is the third largest industry in this country and the second largest private employer. USTTA's funding of $12 million hardly reflects its importance to the United States of America.

It is something which is going to grow inevitably as the world shrinks and as economic opportunities open.

So we will have a good hearing today. It will not be a long hearing but it will be a good hearing. It will be interesting, and we will learn from it and plan from it.

I would now like to call on Senator Trible, who represents the State of Virginia, which has a tremendous capacity in tourism, long experience, and Paul Trible has been right in the middle of the battle.

Senator Trible.

OPENING STATEMENT BY SENATOR TRIBLE

Senator TRIBLE. Mr. Chairman, thank you very much.

Very briefly, let me say that my good friend from West Virginia knows that rarely in the Congress do we have the opportunity to provide oversight for a program that has tremendous public support, that is cost effective, and that is supported by both business and consumer interest. The Cooperative Marketing Program is that kind of program.

So I am glad that we can not only review the functioning of that program but also with the advice and counsel of these experts search for ways that we can be more successful in attracting the citizens of the world to Virginia and to West Virginia and to the other 48 states.

Virginia, as you know, has a very dynamic tourism industry and is represented today by the State Director of Tourism Patrick McMahon. I do not know Mr. McMahon, but he is highly regarded. I want to welcome him here today. I am sure that he will add much to our discussion.

So without further ado, I look forward to the testimony of the experts, and I thank you for your leadership.

Senator ROCKEFELLER. Thank you, Senator Trible.

I have an opening statement that the Chairman, Senator Hollings would like to have included in the record.

[The statement follows:]

OPENING STATEMENT BY THE CHAIRMAN

Mr. Chairman, this hearing today is an important opportunity for the Commerce Committee to take a close look at the international tourism marketing programs of both government and private industry. During last May's hearing on the reauthorization of the United States Travel and Tourism Administration (USTTA)—a hearing which you chaired—relatively little time was devoted to this important subject. The funding issue, and particularly the administration's so-called "user fee" proposal, was the dominant topic. I am pleased that today we will have a chance to spend more time reviewing the programs USTTA has come up with to fulfill its mission of promoting the United States as a destination for the world's travelers.

Today, we are close to resolving the matter of funding. My appropriations subcommittee has reported, and the Senate, I hope, will soon accept, a modest increase in fiscal year 1988 for USTTA. The $12.9 million we reported is still not enough to do the job, but it's like pulling teeth around here just to get that amount for an agency which brings billions of dollars into our economy. The administration has consistently refused to support USTTA, and the House Appropriations Committee zero-funded it this year. For the life of me I just cannot understand this lack of support.

I intend to see that our position ultimately prevails and that USTTA is allowed to continue its important work. Mr. Chairman, I know I enjoy your support in this effort.

You and I have both been governors. We have seen the great benefits that a strong tourism promotion program can bring in terms of jobs and economic development. We say "promotion," but what we really mean is "advertise." You've got to be like those fellows down on Madison Avenue. You've got to package your state as you would any product and take it to where your potential customers are—via television, via radio, via the newspapers. If you don't do this you lose out. They'll go elsewhere. And that's what the competition is all about.

I remember when I was Governor of South Carolina and I thought my hometown of Charleston was the one with all the tourists. Then I was surprised to hear that Myrtle Beach was the tourism capital of the state. I wondered at the time why everyone was going to Myrtle Beach. But then I discovered that the community leaders there had come up with a promotional budget and were using it to advertise far and wide what a wonderful time you could have by spending your vacation in Myrtle Beach. And, of course, they were reaping tremendous economic benefits from the resulting influx of tourists. We implemented this strategy on a statewide level and today tourism is the number one industry in South Carolina. A little money in this regard goes a long way.

This is also true on the international tourism market. Travelers can go anywhere in the world these days. Dozens of countries spend huge amounts of money on promotional efforts to lure tourists to their shores. It's a competitive market out there, and the U.S. has to be right in there fighting to maintain and perhaps increase its share of the world tourism market.

During the Kennedy Administration, when my friend Luther Hodges was appointed Secretary of Commerce, I got on him about setting up an agency to promote the U.S. to foreign travelers, much the same way we were promoting South Carolina to the nation. He set up the United States Travel Service, which later became USTTA.

I look forward to the testimony of today's witnesses, and particularly their discussion of USTTA's marketing programs. I am especially eager to learn more about "cooperative marketing," which is USTTA's way of stretching federal dollars by using them to stimulate international marketing by the states and the private sector. I want to know if this approach is working, and perhaps how we can make it flourish.

Mr. Chairman, I thank you for your leadership in the tourism field for conducting today's hearing.

Senator ROCKEFELLER. Mr. Dick Seely, if you could come forward. He is the Assistant Secretary of Commerce for Tourism Marketing in the USTTA, and is accompanied by Donald Wynegar, who is Director of the Office of Research, also USTTA.

STATEMENT OF RICHARD SEELY, ASSISTANT SECRETARY OF COMMERCE FOR TOURISM MARKETING, UNITED STATES TRAVEL AND TOURISM ADMINISTRATION; ACCOMPANIED BY DONALD WYNEGAR, DIRECTOR, OFFICE OF RESEARCH

Mr. SEELY. Good afternoon, Senator Rockefeller, Senator Trible. It is a pleasure to be here this afternoon because, as you point out so clearly, I do not think there is much question about how important international tourism is to the United States, but I do think there is a question in many people's minds as to exactly what is the U.S. Government's role in international tourism. I hope by the end of this hearing we will have a chance to go over in detail what we do in terms of trying to further U.S. international tourism activities aimed at promoting inbound travel from some of the major market countries.

I wanted to make only brief comments at this time because I look forward to entertaining your questions. As you pointed out, international tourism certainly is a very big business.

Against that, one of the things that is clear in everybody's mind is that in terms of international tourism, large states like Florida and New York and California have done an awful lot of work, and they are getting their share of the international market.

There are, however, many areas of the country which our research indicates have a lot of potential to draw international tourism but, unfortunately, there is not that public and private sector effort to draw international tourism into the country. I am talking about marketing effort.

In terms of that, the things I am going to mention in a moment are the negative factors which are present in the marketplace which are preventing many public and private sector organizations from getting involved with international activities.

One of the things that we face in your state, Senator Rockefeller, and in certain parts of Virginia is that many companies that have successfully operated in the domestic market are not aware that they have international market potential. This may be a thought in their mind, but they may not have identified a target country. They are not interested or do not know about the market segment. That is one thing that we face.

Another difficulty is that even if a private sector firm thinks it has potential internationally, it is not confident about its ability to develop an international marketing plan, a sensible plan that will lead to the generation of new sales for itself.

Even if a firm in many cases feels that it can develop an international marketing plan, it is concerned because it thinks it will take hundreds of thousands, if not millions, of dollars to successfully promote inbound travel. So that is another problem we face.

Lastly but certainly not least, even if all the former elements are there—an organization has identified the target market, they have a plan, they realize that it is not going to cost hundreds of thousands of dollars to promote inbound travel—they still need a lot of help implementing whatever plan they put into effect.

I would like to take a moment to talk about how we respond to these negative influencies in the marketplace. Through our Office of Research we do a lot of surveys of long-haul travelers. We know where people are coming from, what they want to do, how long they will stay, whether they will make their bookings through travel agents and things along those lines. So I think we are doing an adequate job through the efforts of Don Wynegar and his operation.

As I pointed out in my testimony, we conduct international marketing conferences. We have a real outreach program to go out and not only tell people that they have a market but to help them decide which market to get involved in, how they should promote, how they should develop new products and the like.

Once we have the marketing campaign settled, we work very hard to get individual businesses together with public and private sector partners.

One of the things I mentioned in my testimony is that we need to have more marketing punch in many of the overseas markets. We need to speak with a unified voice. So by getting people together, we are speaking with a more singular voice. We can allow people to leverage their money. Obviously, in a new venture people are not willing to spend tremendous amounts of money.

Then lastly, after the network and the group have been put together, then through our USTTA overseas offices located in nine major market countries, we help organizations implement these programs. We help them to get together with the foreign trade to put their product on the shelf, so to speak, to choose the right media and the like.

So with that, I would look forward to entertaining any questions you may have.

Senator ROCKEFELLER. Senator Trible.

Senator TRIBLE. Thank you, Mr. Chairman. I have a couple of brief questions.

First of all, give me a profile of the people that come to the United States to see what it is that this Nation offers and what markets present the greatest prospect for an increase in that tourist trade.

Mr. SEELY. Well, as far as the profile of the international traveler, there are certainly two major components. One is the business traveler, and from USTTA's standpoint we do not feel as though we have a tremendous impact on his decision to travel and where he travels and how long he stays.

In terms of the leisure traveler, however, I think we have a tremendous number of profiles, and Don could speak to that issue. I think you can talk just in one sense of the variation between one market and another.

From all the information I get and the experience I have had, the German traveler, as an example, wants to come to the United States and be the first person to do whatever.

If you contrast that to the Japanese, according to our experts in the field, the Japanese want to go to the place that many of their friends have traveled to, that they feel comfortable with, they feel that they know. It is almost a place that they revisit.

I think within any marketplace you can find many different market segments, but I do think across the board the U.S. has tremendous market potential in virtually every major market country. Don's surveys of long-haul travelers indicate the United States is the number one preferred destination, dream destination, in every major market country.

Senator TRIBLE. So there is room for improvement across the board, then?

Mr. SEELY. That is for sure.

Senator TRIBLE. There are all kinds of unrealized opportunities.

Let me ask you this. Tell me about your work to promote George Washington country.

Mr. SEELY. Well, we have been very interested in George Washington country. When the government had the regional commission structure, it was very active. It had some Federal Government monies. It put together a brochure and did a number of other things.

Recently, it has considered many promotional opportunities, and I think at this point it is just beginning to get back into doing joint international marketing promotions.

As far as specific things are concerned, we have been working with different groups of states within the George Washington country. For example, we have Delaware, Maryland, West Virginia, the District of Columbia and your State of Virginia.

With West Virginia and Virginia, we have organized from May 14 to May 21 an international journalists FAM tour that Senator Rockefeller mentioned earlier. We know that the press coverage that will come out of this FAM will be very helpful in raising the awareness of the consumers in those countries from which the journalists will come.

We are interested and have had many discussions and hopefully this year or in 1989 it will come to fruition in talking to the State of West Virginia, Virginia and the District of Columbia to develop new tour products that are readily saleable overseas. We think this is one of the most important initiatives we can make.

If I could digress just for a second, I think that one of the mistakes many areas of the country have made in the past is that they have promoted through trade and consumer advertising and distribution of brochures the beauty of whatever area they happen to be speaking about. Then, unfortunately, when the consumer goes into the holiday shop or the travel agency to buy the product there is no product available.

So we are working very hard with various areas of the country to develop new tourist products where they do not exist.

We would like very much to hold an international marketing conference in the region. That date has not been set. I know Senator Rockefeller is planning to have an international marketing conference in his state in 1988. We are looking forward very much to the cionference because we will be able to go over market research data, the organization of the industry in the state, where target markets are, and talk about coop promotional activities.

If I could mention also in the States of Maryland and Delaware, we are working very hard on a new program called New Sweden 1988 that centers on the King and Queen of Sweden and, I believe, the President of Finland coming to the United States in April of this coming year. We have also had FAM tours. We have had seminars overseas to make the Swedish and Finnish consumers aware of this celebration in the United States.

Senator TRIBLE. Thank you, sir.

I thank you, Mr. Chairman.

Senator ROCKEFELLER. Thank you, Senator Trible.

It is interesting that you talked about the Japanese. It seems to me that the Japanese in fact tend to like not only to go where their friends go, but they tend to like to go to places which are designated by their own promotion agencies, their own booking agencies and, in fact, often to hotels which they, themselves, own.

Mr. SEELY. That is right.

Senator ROCKEFELLER. Now, obviously that would be fairly unique to the Japanese.

On the other hand, what it is that appeals to the Japanese? How is it that we as a country with this tremendously explosive prosperity that they are having and a tremendous new instinct to travel overseas and that they do tend to stay together, can we crack through on Japan Airlines or ANA so that they, in fact, get themselves out into the country the way we want them to as opposed to just the way their own travel agencies book them? Could you talk a little bit abut that problem?

Mr. SEELY. I would like to very much. I was talking to Don a little while ago about this. The recent statistics, I think in 1986, were a little over 1.6 million coming to the United States. This year, we expect over 2 million. We all know the destinations that they typically go to, from Guam to California and some into New York.

I think that they can be interested in coming to many parts of the United States. I think it is a long-term proposition. I think there is a lot of education that needs to be done in terms of the consumer and a lot of coop programs that will be logically developed regarding this market.

I think the key is working with the Japanese trade, and I think that there are a lot of Japanese tour operators who are located in Chicago and in California that we need to bring into those areas where the Japanese are not accustomed to going. I think we need to sell the Japanese trade on what specific areas of the country offer.

From our long-haul surveys, we are very aware of what the Japanese want to get out of a certain part of the country.

Senator ROCKEFELLER. Let us look at that for a moment. In other words, you have the so-called Gateway Concept.

Mr. SEELY. Correct.

Senator ROCKEFELLER. You have, let us say, 1.5 to 2 million Japanese. Now, you know there is going to be an interest in San Francisco, Washington, and New York.

The theory of the regional marketing approach is to use that gateway entrance, like Washington or New York or San Francisco or whatever, as the first step to going inwards; for example, from Washington to Virginia or to West Virginia.

Now, that makes a lot of sense, but in order to do that and make it work you have to know what it is that the Japanese, let us say, specifically like to see.

The Germans are tremendous travelers. They are very aggressive tourists all around the world. The Japanese are becoming so. The Pacific rim countries have the potential to become so, the money to become so.

What is it that the Japanese, let us say, like to see when they travel? How is it different from, let us say, the Germans or the British or the Canadians or other groups?

Mr. SEELY. Actually, I think they want to see many of the same things that other international tourists are interested in experiencing in the United States. I would like to mention a couple and then ask Don if he has others.

From our research, they are very interested in sightseeing. They have interests in good shopping, historical sites and natural beauty. One thing that goes across all the international borders is that the tourist wants to get to know the American people, what they are like and how they live.

Senator ROCKEFELLER. Is there as difference between the first time tourists? In other words, if I am Japanese or German and I am coming to the United States and I have two or three weeks or whatever it is, am I more likely to want to spend more time in a gateway city like Washington or New York or San Francisco, that I invest more time there and am more reluctant on my first trip to go inland farther, even though the history or the beauty that I may want may be more prevalent there?

Mr. SEELY. That is right.

Senator ROCKEFELLER. On the second time back, I venture inwards more, or does it not work that way? Talk to me about that?

Mr. SEELY. It does, absolutely. I think this is a critical point that affects our marketing programs.

I think, happily, about 70 or 80 percent of the international tourists are here for the second, third, fourth or fifth time. It always amazes me how many times people come back to the United States. I think you are absolutely correct.

The first time, as it would be in most of our own cases, the international traveler goes to the best known gateway city, New York, San Francisco, Los Angeles or wherever. Then on the second trip they venture out. They want to see other parts of the country and get to know more about what the United States is like, to have more of an opportunity to see the natural beauty of the country.

I think this is exemplified by the fact that over 40 percent of the international tourists who come into the country, rent cars. They may spend a day or two during their second trip in New York City, but then they get out. They may go to upstate New York. They may go to Philadelphia, or they may go to some other lesser known destination.

Senator ROCKEFELLER. In the case of the Japanese, they will go to the place identified for them by a Japanese booking group, not one of our own. So that makes the connection between states and/or USTTA and those agencies very important, does it not? Aren't they the ones who are deciding, at least at the present time, where all those Japanese dol-

lars are going to go? Aren't they the ones that are deciding whether they going to go to Williamsburg, whether they are going to go to Blackwater Falls in West Virginia, or what?

Now, what do we do about that?

Mr. SEELY. I think that that is one of the key roles that USTTA can play. Donna Tuttle has said many times the agency is a catalyst, and I think it really is.

We are working with many parts of the country now to get them to work together to identify what their tourism resources are and then put together tentative itineraries which we think the foreign traveler will want.

Then the next step, which is a key one to my way of thinking, is we have to find foreign tour operators, wholesalers who want to handle that product.

What we have done in many cases is after tentative or draft itineraries have been put together, we go through our overseas offices or through headquarters and search out the foreign travel trade that wants to carry that product.

Then what we do is bring the two sides together, and then they hammer out what the final package happens to be.

Once the final package is together, we sit down and, develop sensible promotional programs so that the foreign consumer knows that these tour products are being offered in the marketplace.

Senator ROCKEFELLER. In the case of Jamaica and Australia, for example, they advertise generically as countries. We do not tend to do that, at least we are emphasizing the regional approach, like your New England approach or the Old West Trail states, advertising to Germans or Minnesota or Illinois.

They have different packages, but they advertise as states or as regions. I know that in the case of Florida and perhaps Virginia also that they advertise internationally for the state.

Now, Australia and Jamaica clearly and visibly to anyone who watches television are taking the national approach. You are suggesting the regional approach. Is that because it works better or because we just do not have the money to do the other?

In other words, first you have to get the German tourist or the Italian tourist or the Taiwanese tourist to pick the country that they are going to go to. You have to get them away from Australia. You have to get them away from the United Kingdom. So they have to decide they are going to go to America.

They probably are not going to split their trip up that much. Tell me if I am wrong. Then after they pick the country, then where are they going to go in the country? What is the advantage between targeting the region as opposed to the country, in that you have to have the tourist in the country before you can get him to a region?

Mr. SEELY. That is a critical question. We have already shown through the research that the United States is the number one preferred destination in every major market country.

So the United States is recognized as an excellent tourism destination.

Senator ROCKEFELLER. What percentage of the international tourism trade do we get, roughly?

Mr. SEELY. I believe it is 10 percent of the numbers of visitors and about 7 percent of the international revenues, and these figures are declining.

Senator ROCKEFELLER. We are getting more each year in numbers but a lesser percentage of the international share?

Mr. SEELY. That is right.

Senator ROCKEFELLER. We are declining because others are becoming more aggressive in marketing?

Mr. SEELY. I believe so.

Senator ROCKEFELLER. I interrupted you. I am sorry.

Mr. SEELY. I think both from the supply side and the demand side, regional promotions make sense.

What we believe, again, is that there is no sense in advertising in a foreign marketplace like the U.K. or Germany or Japan unless along with that advertising you are promoting specific packages.

It is clear from our statistics that a tourist can travel to two or three states on the average. So the regional concept from the demand side makes a lot of sense.

Given that people, I think, accept that, then on the supply side when those people who are offering the services can see that an international tourist can travel throughout a region, George Washington Country as an example, and they can see that through a promotion people will come through the "turnstile" and utilize their service, they are much more inclined to put up their money to help support a promotional program.

I think with a generic U.S. program with no product being offered, in our case no product being offered specifically to tour the whole United States, then it is very difficult to get people to put in money on the four to one ratio which is our guideline.

I think, if I could add one other point, the ultimate goal as far as I am concerned is that we need to coordinate the marketing efforts of three or four regions in a market like the United Kingdom. In this way we can say to the foreign tourist coming to the United States, that the country is beautiful, it has history, you can get good value for your money and on and on, and that each region provides an example of those attributes, I think by doing this we will have the marketing punch to compete with Australia or Jamaica or whatever country it happens to be.

Right now, we are not speaking, in my mind, with a large enough unified voice that we need to achieve the market share we are looking for.

Senator ROCKEFELLER. Senator Pressler comes from the Old West Trail district we have just been talking about, South Dakota and some of your neighbors, Senator Pressler.

Do you have a statement tat you would like to make or comments you would like to make?

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. Thank you very much, Mr. Chairman, for your courtesy. I understand that you have been discussing this, and I apologize for being late. We have several committees meeting simultaneously.

I certainly want to thank you for holding today's hearing on tourism marketing. I am looking forward to learning more about the current programs of the USTTA. I have always been very supportive, and I closely follow your work there, which includes, of course, my home state of South Dakota.

I am pleased to say that a very successful meeting of the five Old West Trail States was held recently in Rapid City, and I am most anxious for Mr. Seely to tell us some of the results of this meeting and also to describe some of the other regional promotions in which USTTA is involved.

Again, MR. Chairman, I thank you and I apologize for being late. If this ground has already been covered, please do not cover it again, but at the appropriate time I would like to know the results of the Old West Trail economic summit on tourism which was held in Rapid City.

I understand it was very successful. I had good reports from my state, and we certainly appreciate your interest. I know you have talked about it here already to some extent.

Senator ROCKEFELLER. I want to do just a little more discussion. Senator Trible or Senator Pressler, just interrupt with questions, and we will do this informally without bells and lights.

The district approach or the regional approach really strikes me as sensible. Now, the next question is that if it is sensible, that means it has to be done, it has to work.

It worked with an airline in New England and USTTA because the parties got together and they delivered themselves six weeks or so of good advertising in England.

Question number one: How did it work? How could you measure the difference that the regional approach made?

Secondly, take for example the Old West Trail district or take Senator Trible's and my district, the George Washington country area. Is there a reluctance on the part of the states because they have traditionally done it themselves, particularly the bigger states on coasts, like Virginia, for example, with long experienced tourism efforts?

They might be reluctant to share their state, or West Virginia might, or South Dakota might, or Florida or Texas might. They might not want to go into a regional approach because that means they would diminish how they are doing compared to others in the region who might do better because of the cooperative approach.

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Could you talk to me about bout the result of the U.K. advertising on the part of New England and yoursourselves and an airline? I forget which airline it was.

Mr. SEELY. TWA.

Senator ROCKEFELLER. Secondondly, are states responding to this cooperative regional effort? Is it slow tow to convince them to do so?

Mr. SEELY. Well, as far as as the TWA/U.K./USTTA, and Hertz actually was a semi-partner in thn this, I think it worked out very well. We have been working with TWAWA to get the figures out of their offices of how many of the 391 pound sid special packages into the Boston area were sold.

We know that for May and and June they sold something along the lines of 2,000 of these packages. W We expect by the time the final results are in, they will have sold approxioximately 4,000 or 5,000 packages.

We know that the U.K. travtraveler spends approximately $800 exclusive of airfare, and so we have beebeen able to figure out that whether it is $2 million or $4 million of revenvenue for the amount of money that we all put in collectively, the return cn on investment will be very high.

So we are happy about thathat. We have other measures of how it went. I know in the first couple of of weeks TWA received something along the lines of 1,500 calls regarding tg this package on its telephone lines.

We also know that TWA's's load factor during the time that the ads were running was up 12 poinoints. This is over the normal trend, so they know that the advertising had ad some significant effect.

Even the preliminary numbnbers show that the program was successful. TWA and New England wanant to go ahead with this program in 1988 and expand it to include F France and perhaps some of the other European countries.

You made an excellent poinint concerning where the regional approach works and where it does notot work. There are a lot of states that do their own thing, and I woululd encourage them to do their own thing when they have sufficient manarketing resources and enough partners to go into a market without otheier states.

I think there are many casases, however, the Old West Trail as a case in point, where, the resourceses are such that if they did not go collectively ahead they would go beelow the promotional threshold that would make their efforts almost meaningless.

So the regional approach is put together based on good business sense. Partners realize they ccan go into a marketplace for much less then $50,000 or $100,000 or $$200,000.

They realize in the case oof the Old West Trail that the states individually could not raise thaat much money. So they got together, and developed a very successfuhl program. We are looking forward to promoting the new productss that came out of the Old West Trail economic summit. At the endd of the summer season next year, we will be able to count up how maany of these special packages through the Old West Trail States were sold, and we can figure out a return on investment.

Senator ROCKEFELLER. In the case of George Washington country, with West Virginia and Virginia being two of those states, what have you done on that so far? What have the states done on that so far? What are your goals there?

Mr. SEELY. Well, I have been talking about this at length with Pat McMahon. Virginia has done an excellent job of developing a relationship with an airline. I hope we were helpful in encouraging Pan American, among others, to promote the State in overseas markets. So Virginia and Pan American are working very closely.

I preface this by saying that we want to get all of the lesser known destinations into the international marketplace, which means for George Washington country more involvement by West Virginia, more involvement by the District of Columbia, which does not do much international promotion at this point.

Senator ROCKEFELLER. That is interesting. It assumes it?

Mr. SEELY. I do not know. I would have to ask them.

The District of Columbia, quite candidly, has been very successful over the years, and at this point they are attracting almost a million international tourists a year.

There is, without question, a large hotel building boom, and they are looking for new markets. With the research that Don's shop is putting forward, they realize that one of the ways that they can expand their market is by promoting internationally. So they are going into it in a big way now.

Senator ROCKEFELLER. If I could interrupt at this point to compliment Senator Trible on a fight that he fought long and hard, and I joined with him from the other side of the aisle, to expand or to create an authority of Dulles Airport and Washington National Airport.

One of the thoughts in the back of my mind was that as Dulles became larger, more comfortable, more accessible, more known, it would just automatically have to help West Virginia.

Now there is an article in this morning's Washington Post saying that Dulles is opening a downtown terminal here in Washington because the crowding is such out there and the convenience could be enhanced downtown, as they now with a semi-private authority are able to sell bonds and expand themselves aggressively.

So that having an airport that is international, even if you do not have one in your state, can make a big difference. Is that right?

Mr. SEELY. Yes, it can. For example, in the Old West Trail States, there is no gateway airport, but they use Denver and Minneapolis-St. Paul as their gateway. I think as long as you have your tour products being sold by the foreign trade, you have a chance whether you have a gateway airport or not.

Senator ROCKEFELLER. I just have one final question I want to ask, unless Senator Pressler or Senator Trible want to. Again, it relates to the Pacific rim countries. The Old West Trail area is emphasizing Germany?

Mr. SEELY. Yes.

Senator ROCKEFELLER. In Minnesota and states I would guess are advertising to Scandinavia. In other words, there is the hint there of a natural draw based upon a population base.

In West Virginia and in Virginia, for example, we would have a very mixed based.

Now, you go from that, and then you look at, again, the Pacific rim countries. I pick on them because Taiwan, Korea, Japan and Singapore are just enormously prosperous. They are doing tremendously well, particularly in the case of Japan and, to some extent now, Taiwan.

Their capacity to travel is growing. They have more leisure. They have more money. They have profited greatly.

Are we doing anything specifically towards that part of the world? Are you, as USTTA, doing anything towards that part of the world?

Mr. SEELY. As a matter of fact, we are. We have identified Hong Kong and Korea and Taiwan as special markets. As of November 1, we will have a contractor who will be establishing Visit USA committees in those countries. The contractor will also be responsible for making arrangements for travel missions of people who are interested in visiting those areas and meeting with the trade in that part of the world.

They will also be responsible for picking journalists and making airline arrangements for journalists who would be coming from places such as Korea.

Senator ROCKEFELLER. That is crucial, is it not?

Mr. SEELY. Yes, it is.

Senator ROCKEFELLER. You really have to work on journalists, do you not, to make them aware, to have them write article about the country, a particular state or a particular region?

Mr. SEELY. Absolutely.

Senator ROCKEFELLER. So do they set the climate for it?

Mr. SEELY. Well, I think they are part of the marketing mix.

I think one of the questions comes up what do you do first. One of the first things we always recommend is to do an inventory of what products you have to offer. If you do not have enough, get to work on developing new products.

The other thing is to begin almost immediately to bring the foreign journalists in to write about the area so that you start building awareness in the potential long-haul traveler.

Senator ROCKEFELLER. Most countries do not have the capacity to package tours in this country, to tailor them for an individual tourist. In other words, they have to be off the shelf, which means that as a country or as a region, West Virginia or Virginia has to be in the package on the shelf at the beginning in the foreign country or else the individual tourist probably is not going to sign up for us.

Is that correct?

Mr. SEELY. I believe that completely. What I pointed out in my testimony is that if you look at the U.K. and you have 21 million international trips a year, the travel agent is in no position to sit down and individually counsel the person who walks into his shop.

The people walk in and literally buy things off the shelf by the different components. As you say, if they are not there, no matter what advertising you have done, what lure pieces you put out, you are not going to get tourists to come your way.

Senator ROCKEFELLER. I will end with this, Dick. There is a relationship between a state's and/or a region's effort to reach out international and what they are going to get. In other words, if West Virginia is not in that package in a travel agency in the U.K. either as a state or as part of the George Washington country region, we are not likely to get them?

Mr. SEELY. I believe that.

Senator ROCKEFELLER. So connecting into that cycle is fundamental to make this deal work, is it not?

Mr. SEELY. I believe so. I think you have to get your product on the shelf and promote at the same time.

If I might, one of the key things at any tourism conference that we recommend is that an area do a tourism inventory of what tourism assets and products it has and what products are on the shelf overseas.

Senator ROCKEFELLER. Than you very much.

Don, I did not give you much of a chance to say anything. You tried to at one point, but I cut you off, and I apologize.

I certainly thank both of you very, very much.

[The statement and questions and answers follow:]

[COMMITTEE PRINT]

STATEMENT OF RICHARD L. SEELY, ASSISTANT SECRETARY OF COMMERCE FOR TOURISM MARKETING, DEPARTMENT OF COMMERCE

I am pleased to be testifying today because it gives me an opportunity to tell you about the cooperative marketing strategy USTTA is implementing, I believe successfully, with States, cities and private travel and transportation industry firms to attract more international tourists to the United States.

Tourism in general, and international tourism in particular, needs to be increasingly promoted by the U.S. public and private sectors. All indications are that international tourism—because of growing personal income, increased leisure time and reduction of restrictions on foreign travel—is entering a period of rapid growth, particularly for the emerging countries of the Pacific.

Fortunately for the United States, our country is sitting on a gold mine. Comprehensive research on long-haul pleasure travel patterns shows that the United States is the number one preferred destination in all of the major tourism generating countries. I'm sure soon to be completed market research studies will show the same holds true for emerging markets such as Hong Kong and Singapore, among others. But to take advantage of this potential, there is a great deal to be done before the United States finds itself with an increasing, not decreasing, share of the international travel market.

As we all know, competition from other countries for foreign tourists is fierce and increasing in intensity each year. In the United Kingdom, for example, there are over 70 national tourism administrations conducting high visibility marketing programs directed at the British trade and consumer.

To meet this marketing challenge from other countries I believe we must do a number of things.

First, the Nation must speak with a stronger and more unified promotional voice abroad. This means that work needs to be done to get more organizations to promote tourism internationally. We also need to harmonize and unify the scores of different messages and images our country's tourism organizations are disseminating in key foreign markets. Other countries have already mounted huge, unified promotional programs, i.e., Canada, Australia, Jamaica, among others—so should we, and it is clear our industry is ready to work together to achieve this end.

Second, we need to promote different regions of the country in foreign markets as a primary strategy for increasing inbound traffic.

Most foreign tourists can't travel the entire United States during one trip but can visit 2–3 States and cover much of what a region has to offer.

By promoting a region, many lesser known destinations can gain recognition along with more widely recognized points of interest.

Regional promotions mean the pooling of dollars creating sufficient marketing punch abroad to get the attention of potential long-haul travelers.

Through regional promotions, a large enough array of products and services can be offered to tourists to convince them to spend their 3–4 weeks' vacation in the United States rather than choosing to spend this time in a competing international destination.

Third, States, cities, U.S. regional organizations and private sector firms must develop new and innovative tour products for sale overseas which meet changing conditions and address new segments of the market, such as repeat travelers or visitors who prefer to drive themselves.

Generally tourism products sold in the American market cannot be successfully marketed overseas. Also today there are many areas and regions of the country which are not yet "on the shelf" in the form of tour packages.

It does no good for a destination to generate interest on the part of the foreign traveler by distributing brochures or through TV or print advertising programs if potential travelers cannot go to a "holiday shop" and buy a tour package or the components for traveling independently such as, air tickers, a rent-a-car voucher and/or a hotel voucher.

We cannot overly stress the need for the U.S. tourism industry to develop new tourism products. Underlying the importance of this type of before is the fact that in countries such as the United Kingdom, citizens take approximately 21 million international trips a year. With volumes this size the typical UK travel agent can't help each customer plan individualized vacations. UK tourists must buy their vacation or its components off the shelf and, if yours are not there, no international travelers will come your way.

Fourth, there is a need to build strong and lasting public and private sector partnerships as a means of increasing our country's tourism muscle. We need partnerships in which States, cities, regional organizations and private sector firms plan together, pool their resources, exchange market information and work with their competitors so that the United States can compete on equal terms in the foreign market place. Over the last two years partnerships, which USTTA helped form, have generated significant results.

For example, in West Germany in 1985, USTTA joined with 44 State, city convention and visitor bureaus, airlines, hotel chains and other industry partners to carry out a unified visit USA promotion in that country. The tourism industry invested over $2 million in the program, 58 new tourism organizations began advertising in that market as a result of this program. The campaign generated over 40,000 coupon responses with the USTTA portion of the co-op advertising campaign contributing $16.3 million in new tourist dollars to the United States; a return on investment of 17–1.

In 1987, the 6 New England States, TWA and USTTA joined together to carry out a 6 week co-op TV ad campaign in the United Kingdom. Several thousand of the 391 pound fly/drive packages, developed especially for this campaign, have been sold, TWA load factors into the Boston area are significantly up and English tourists are appearing in New England in places they have never been seen before. All partners view this effort as being a huge success.

USTTA has also:

—Brought together the State of Florida, Pan American, American Express, Alamo Car Rental and ourselves to carry out an exciting TV and print advertising campaign in Brazil, Argentina, Venezuela, and Mexico next year;

—Been the catalyst under which Illinois and TWA will join USTTA to conduct TV advertising in 1988 in the United Kingdom;

—Joined Delta Airlines, DER (a larger German tour operator) and the Old West Trail States (North and South Dakota, Nebraska, Wyoming, and Montana) to promote new tourism packages in West Germany this coming spring; and

—Convinced United Airlines and Sheraton Hotels Corporation to jointly sponsor the publication and distribution of 300,000 USTTA "holiday planner" brochures to the trade and consumers in Japan and other Pacific countries.

There are a number of other cases where USTTA formed public/private sector partnerships are resulting in the United States gaining higher visibility in key foreign markets.

USTTA MISSION, STRATEGY AND PROGRAMS

USTTA' mission is to promote inbound travel to the United States. To achieve this end under Secretary Donna Tuttle has made the agency's number one goal to increase the numbers of U.S. tourism suppliers marketing internationally.

I have already described one way in which USTTA is assisting the U.S. national tourism effort by helping to build public and private sector partnerships leading to larger and more unified promotional campaigns abroad.

I would like to breifly describe other programs USTTA is carrying out to boost our tourism exports.

USTTA carries out annual marketing conferences and planning meetings with States and U.S. regional organizations whose membership includes representation from 48–50 States. These sessions constitute our principal outreach tool. They range from a major regional tourism conference involving 250–500 participants to small State and regional planning meetings. Large conferences of this type have recently been held in the Old West Trail Region and in Texas. Another large conference has just taken place in the Great Lakes States Region.

In preparing for our participation in regional conferences we develop specific market research data and write tailor-made marketing plans.

These suggested plans enable the regional decision-makers to select their best target markets and to prioritize the allocation of available resources. In effect USTTA functions as a marketing consultant.

USTTA sponsored regional conference and planning meetings have generated many new entrants into the internationl market and have resulted in the following types of co-op marketing activities:

—The Old West Trail States developing new tourism products for the West German Market.

—The America's Heartland Region (Missouri, Kansas, Louisiana, Oklahoma, Arkansas) developing new tourism products for the U.K. market.

—Travel South USA (11 Southern States) conducting a familiarization tour for 50 West German travel agents and publishing a special advertising section in the USTTA Destination USA trade magazine in Germany.

—Great Lakes States USA publishing regional advertising sections in the U.K. and West Germany.

—New England States publishing a special advertising section in the United Kingdom and carrying out a multi-country journalist familiarization tour.

—Puerto Rico and the U.S. Virgin Islands carrying out a multi-country journalist familiarization tour next month.

—West Virginia and Virginia planning to conduct a Canadian Journalist FAM tour this spring.

The above is by no means an exhaustive list of the programs developed through USTTA's regional marketing efforts.

In another key program area, USTTA carries out an annual national marketing conference in Washington. At this meeting over 40 foreign tourism industry experts plus USTTA's 10 regional directors discuss with 400–500 U.S. business and Government leaders inbound tourist statistics, target markets and appropriate promotional activities. This event has resulted in the development of new marketing programs and has helped convince agencies and companies to begin penetrating foreign markets.

Additional co-op marketing programs result from regular visit USA committee planning meetings held in key foreign markets. Committees are made up of representatives of U.S. firms located abroad and the foreign travel trade interested in promoting inbound tourism to the United States.

Once marketing programs and plans have been accepted, USTTA's offices abroad are the key to implementation. The agency's field staff are regularly involved in coordinating U.S. tourism organizations participation in major foreign travel shows, cooperative advertising projects, tour development projects with tour wholesalers, the organization of familiarization tours for travel writers or retail travel agents and many more.

I hope this brief overview of USTTA programs has made it clear how the agency is helping U.S. tourism organizations begin or expand their international operations, and how USTTA is assisting the American tourism community carry out large, unified consumer campaigns abroad. I would be happy to answer any questions that you may have.

Question. I am pleased that the Old West Trail Economic Summit on Tourism, which was recently held in Rapid City, South Dakota, was very successful. The tourism industry plays a vital role in South Dakota's economy. In fact, it is our second largest industry. Please share with us a few of the highlights of the five-state tourism meeting.

Answer. USTTA Staff (Seely, Wynegar, Schmitz, Tolson, and Ollendorff) participated in a special meeting of the Foundation's Board with Peter Koch of DER/Frankfurt, the German tour wholesaler selected to market a 5-state tour program in 1988. The USTTA presentation to an audience of some 200 focussed on discussing the marketing plan recommendations which had been prepared for the region beforehand. This approach works well because it relates activities and programs to the real world and forces the regional managements to confront the budgetary implications ?f international marketing and to set priorities.

The governors of all 5 states participated actively. The most significant result was a formal proclamation (during an impressive ceremony at Mount Rushmore) in which the governors pledged support of USTTA's regional international marketing efforts.

Noteworthy also are speeches by Jim Collins formerly Vice-President, Marketing of Hilton Hotels Corporation and William Penn Mott, the Director of the National Park Service.

The conference showed once again that a region is only as effective as its leadership. Without the decisive action by Wayne Tanous, OWTF's president, the project with DER would probably not have come off this year.

Attached [1] for the committee's reference is a copy of the proclamation signed by the governors and some news clippings on the conference.

Also attached for the committee's reference are the Old West Trail Foundation travel marketing plans developed in cooperation with USTTA for Germany, the United Kingdom, Canada, and Japan for 1987 through 1990.

Question. What is USTTA's recommended international marketing plan for promotion of the Old West Trail states?

Answer. The program proposed by USTTA and organized by DER calls for weekly departures from Denver for a 21-day bus tour beginning May 1, 1988. Implementation is contingent on coming up with an incoming airline package within the next two weeks. A tour operator from Rapid City has begun negotiations with DER. USTTA recommended that the motorcoach program be complemented by a fly/drive program to permit greater flexibility and use of more gateways. DER accepted this option and looks to the OWTF to prepare itineraries, select hotels and attractions to participate in a voucher program.

Attached for the committee's reference is a copy of the actual package which appeared in the 1988 DER promotional catalog.

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[1] The attachments are in the Committee files.

Senator ROCKEFELLER. I want to announce that Richard Pennick, who is the Counselor on Commercial Tourism with the Canadian Embassy has submitted testimony. He did not come because it is the policy of that government, as in many others, not to have their officials appear before congressional hearings. It may be our policy, also.

In any event, he submitted testimony, and I just want that to be known.

Now I would like to have come forward Robert Trocin, who is the Commissioner of the West Virginia Department of Commerce; Hon.Marlene Johnson, who is Lieutenant Governor of the State of Minnesota; Ms. Dorothy Maitland of Montana Leisure, Incorporated; and also the gentleman that Senator Trible referred to, Patrick McMahon, who is Director of Tourism for the Virginia Division of Tourism; and Mr. Brian Smith, who is Vice President for Marketing of Busch Entertainment Corporation. Busch does some business in Virginia, I believe.

Bob, if I might, I would exerc my prerogatives and start with you. You all have statements and th t will all be included in the record. You are free to summarize however you choose. se statements or reflect on them,

STATEMENT OF ROBERT ROCIN, COMMISSIONER, WEST VIRGINIA DEPARTMENT F COMMERCE; ACCOMPANIED BY REBECCA KIMMONS

Mr. TROCIN. Thank you, Sena tor Rockefeller, members of the subcommittee, for this opportunity peak on behalf of the State of West Virginia regarding the develo ient of foreign travel to the United States.

It seems to me that this com ttee and the United States Travel and Tourism Administration have onsibilities that parallel those of West Virginia's state legislature and Department of Commerce. I am here to address what my Departmen does now to promote the State of West Virginia in the international fi d and what it plans to do as well as what it would like to do in that rea.

And I want to underscore th importance of USTTA to us and the United States as an educatio l and marketing force in expanding foreign tourism here.

Since 1985, when I became Commissioner of the newly created Department of Commerce, we ave worked to consolidate the diverse elements of West Virginia's trav l industry. We have served during the transition from a State-suppor d regional travel council system of promotion and development, wh ch was woefully underfunded, to more area-specific tourism bureaus.

Funding is generated by the cal industry in direct proportion to its level of tourism. This change, like most changes, was greeted with trepidation. The fear was that most of West Virginia's small communities would be left out of an development or promotion.

What has actually occurred s that communities of all sizes and stripes in West Virginia have a sessed what they have going for them and for the first time in the oung history of the business in West Virginia, they are not waiting for somebody else to do it, they are taking a much more active role expand and develop tourism.

And at least, they have funds in hand to do this. One indication of their increasing sophistication that some of these convention and visitors bureaus are recognizing nd expressing an interest in developing some aspects of international tra el.

We have much to tell as to the potential of West Virginia to the visitors, but we also recognize th at we have much room for growth and development.

The Department of Commerc e is seeking on several fronts to consolidate its resources, to solidly levelop, expand and promote ourselves as a domestic travel destination. We are committing all of our financial resources to this end. And I mig t comment that our resources are very limited, as you know.

The State of West Virginia has a very small population, but a large geographic area. If you were to flatten it out, it would be larger than the State of Texas. We have a lot to promote.

Now, how can the USTTA help West Virginia and how can West Virginia help USTTA? We feel that USTTA has been aware of West Virginia's potential for some time. The agency sent a group of German travel writers to us in 1985 and has encouraged us to participate in large European travel shows as a part of George Washington country.

We know we could capitalize on USTTA's efforts in the foreign market, but due to ever-present budget constraints we have been unable to exploit those opportunities through USTTA.

But we have begun to work, with their help, on two Canadian markets which in so many respects are similar to our domestic markets. We appreciate being included last spring in the Toronto Office's press reception for Ontario travel journalists, who met with representatives of tourism offices in the United States. This young lady was present.

As a result of that reception, Jane Stokes of the Toronto Sun is at this moment traveling toward our eastern panhandle for a three-day stay.

As you recall, Dr. Seely mentioned that it is important to first, after you have identified what your tourism attractions are, to then attempt to get some travel writers to write about your State. That is what we are doing first.

We planned a joint press conference or press tour this fall with the State of Virginia, to be coordinated in part by USTTA. But their agency's budget constraints curtailed flight arrangements, so the press tour has been postponed until this coming spring. But that is definitely in the plans.

Given the current status of travel development in West Virginia, we feel our smartest move is to work at broadening our Canadian connection. We know that 10 percent of all of our bus tour business in West Virginia comes from Ontario. We know that many Canadians are aware if West Virginia because of Wheeling's WWVA radio station, which has created a sizable Canadian market for the city of Wheeling.

We are actively planning strategies to coax that Wheeling destination traffic further and further south into West Virginia.

Our recently completed West Virginia Turnpike segment of I–77, together with I–79 and U.S. 19, make a West Virginia route the logical choice for many Canadians heading south to American beaches. I–81 is a pleasant alternative to congested routes south for Quebec's residents.

And of course, our proximity to the nation's capital, together with a growing reputation for genuine hospitality and excellent services, make West Virginia a very attractive day trip option to visitors to Washington, DC. Once again going back to Dr. Seely's entry areas, Washington is our entry. That is our way of getting them to our area easily and conveniently.

We are willing to investigate means of communicating West Virginia's message to Canadians who are likely to travel our way, with the aim of convincing them to extend their stay in our region.

We are aware of the obstacles to increasing foreign travel. We know the process is very complex, even in English speaking countries, and requires considerable expertise. Presently, there is no way West Virginia can completely enter the international marketplace.

However, we also realize that in the regional grouping of George Washington country, with Virginia, Pennsylvania, Maryland, Delaware, and Washington, DC entering the market so competitively, West Virginia's not being included leaves a gap of sorts.

Because we cannot afford to enter the market on the same scale as our bigger sisters in the George Washington country region, we must rely on USTTA to fill in the gap, to take our message to the international marketplace. For that reason, USTTA is invaluable to a State such as West Virginia.

We rely on them in much the same way as small West Virginia communities without funds rely on the Department of Commerce to represent them in domestic markets.

We know that, should foreign visitors express interest in West Virginia, we need receptive operators who can appropriately package West Virginia properties and get them in place. We would again depend upon USTTA's expertise to train our business community to deal intelligently with various cultures represented in the international marketplace.

The State of West Virginia appreciates USTTA's continuing attention and support. We agree with the statement made by Max Ollendorff, Director of Market Development for USTTA, at a recent tourism meeting in West Virginia, that there is much room for development of that segment of foreign travelers who want very much to see the rest of America where so many of us live, beyond the big cities.

In West Virginia, we have many heritage links to other parts of the world. We do look forward to the day when we can take fuller advantage of USTTA's various programs, and we would very much like to work with a well-funded, well-staffed USTTA to build on and strengthen those foreign links on behalf of tourism.

I thank you.

Senator ROCKEFELLER. Thank you, Bob, very much.

I want to recognize, too, Becky Kimmons, who is here. She was with me and with Max Ollendorff in the eastern panhandle several weeks ago, when we were talking about international possibilities for that part of the State.

Let me, if I might, just ask you a couple of questions and then I want to go on to Mr. McMahon. And Governor Johnson, I apologize because in terms of protocol you ought to be first. But I hope you do not mind that too much.

West Virginia does have a budget problem, and yet we have extraordinary potential for tourism, and you and I both know that tourism has tripled really since the early and middle seventies in our State.

It is a $1.7 billion, maybe $1.8 billion industry now, an enormous business for our State, employing 50–51,000 people. And it will just keep getting bigger as more people travel from within our own country and from overseas.

Now, the question is how do we leverage our resources to get the maximum amount of attention for West Virginia, not just as a State itself but as part of a region to which people will be coming?

Working with the Federal Government through USTTA, the travel arm of the Federal Government, obviously presents a really good opportunity, and you have obviously decided to do that. You are also bringing the Canadian journalists to West Virginia.

You and I understand that as we go to different places in West Virginia for the last number of years, all of a sudden lots of Canadians have been appearing. And we have to start asking why. You know, why Canadians, just as now there are more and more Japanese who are appearing?

And as you pointed out, it is because they are either coming to West Virginia or they are on their way down south, driving through West Virginia. And so the question is how do we get them to stop? As you pointed out, Bob, how do we get them to stop and spend their money in West Virginia?

Now, you have linked up with the Federal Government through its tourism arm, USTTA, in this program for Canadian journalists. What was it that led you to USTTA, and how did you put this together, and why did you decide on Canada and on their journalists?

What was the process of your thinking towards arriving at this decision, which I think is a very good decision?

Mr. TROCIN. Well, thank you. The way we got there was that we tried to determine what it is we had in the way of an image outside of our State. We did very extensive studies to find that out. Studies are not expensive and so it is something that you can do even on our budget.

And we determined that our biggest problem was that most of the people who we were trying to attract knew nothing about us, and that was because the word had never been broadcast, shall we say, outside of our State. That led us to the conclusion that we had to, in as inexpensive a way as possible, go to those marketplaces.

And the Canadian market happens to be the only foreign market that we have been able to even think about, let alone attack. And the least expensive way to get there was to go through the journalists.

We can bring in a half dozen journalists for a relatively small amount of money, expose them to West Virginia, and the minute they are exposed to West Virginia and they see the scenic attractions, the many recreational opportunities, the historic places that we have to offer, and experience the great hospitality of West Virginians, we know that they are going to go back and they are going to positively write about our State.

So that was the philosophy that we were following, and we went to the USTTA and said: How do we do this? We asked for their advice, and they were very kind to give us that advice.

They have been working very closely with us to make these things work. The journalists are coming because of the guidance that they gave us.

Now, the next question is how do you get them to stay. And to answer that question requires a lot of explanation, but I would like to summarize it by saying, you have to display your assets, you have to give your assets an opportunity to be seen.

So one of the first things that we did relative to that was to put in a television type tube system on our turnpike and on our various rest areas that, in a very graphic, very attractively packaged arrangement, tells the individual that stops and puts their finger on the TV tube what there is to see in West Virginia.

And because it is such a spectacular sight that they can see, what it is, where they can stay—all that information is contained in a very concise manner. That was the first move we made to get to the traveler that is already traveling through our State.

To go beyond that, I am not sure what we do. But we have to somehow or another tell our story. We have to get the packages put together and we have to tell what we have to offer. We are doing that the best we can with the limited resources we have.

Senator ROCKEFELLER. I know you are, and there is so much that our State does have to offer. One of the things I remember when I was President of West Virginia Wesleyan College and we were trying to promote the college in western Pennsylvania, and that is where a lot of the students came from. One of the things that I suddenly found really worked in this question of how do you market that college, and in a broader sense the State, is the fact that West Virginia for the last 14 years consecutively has had the lowest crime rate of any State in America, according to the FBI statistics.

And I found that simply saying that simple fact enormously enhanced the appeal of the State of West Virginia for parents of students. And that was not the reason that West Virginia Wesleyan began to pick up in enrollment, but it was a real factor. In other words, we market not just our beauty, but the fact that it is safe, it is a good place for families.

And then I noticed when I was Governor, Bob, that when you would go to a state park and, you know, you sit down with a family and say, why are you here? What brought you here? How did you find out about West Virginia? Often, and whether they were from this country or they were from overseas, from Canada for example, they would say: "Well, we came here and we liked it and so we came back."

And so the sense that once you can get your hands on a tourist or get your hands on a country and they come to know the State, they will come back because they will like the experience.

And people often are not going to try and cover the whole country. They simply want to go somewhere where they can have a different experience and one that they relate to and one that they like and one that they trust and one where their children are safe, and they come back.

And so if we can do that in West Virginia with the Canadians, who are already coming to Ogleby Park in Wheeling, West Virginia, in overwhelming numbers because there happens to be a powerful radio station there with 50,000 watts or whatever it is, that goes up easily into

Canada and in fact all the way over to Germany on a clear night, people come.

In other words, anything we can do to promote ourselves, it works. And I can remember when we started advertising in Washington and Philadelphia and Pittsburg and Cincinnati, television advertising promoting the state for tourism, I can remember two or three weeks after that I went to Harper's Ferry, West Virginia, and I walked up to the shops and the street where the shops are and I said, is there a difference?

And they said, "yes, there is a difference, and we do not know why, but it has increased, our business has increased 10 percent, 15 percent." Promotion works. Marketing works, and particularly in the case of our State, West Virginia, which is not as well known as so many other larger States, it seems to me that we have even more to do to catch up.

And I think working with USTTA, which will help, working with the George Washington country region of which we are part, where we can leverage our scarce dollars to promote West Virginia, I think it really makes sense.

Bob, I want to come back to you, but I want to call on Mr. Patrick McMahon, who does the same job that you do, but he does it, not for West Virginia but for Virginia. And we are delighted to have you here, Mr. McMahon.

STATEMENT OF PATRICK McMAHON, DIRECTOR OF TOURISM, DIVISION OF TOURISM, VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT

Mr. McMAHON. Thank you, Mr. Chairman. I appreciate the opportunity to again testify before this committee on the expansion of U.S. Tourism marketing potential.

I think the majority of State Governments today do understand the significant economic impact that tourism has on our economy. We know that it produces additional tax revenue, that it expands employment, and that it will also help as a contributor to a healthy balance of payments.

I think the problem is we still have not put all the money where our mouth is. I think that may be part of the problem that we see with our own U.S. Government, especially as we look at other governments, who today have become our prime competitors.

And Virginia finds as we enter the global marketplace that we are directly, the State of Virginia, competing directly against Germany and against Australia and Canada and Japan for what is becoming a more and more the growing market of international travelers.

Also, we find that countries that are getting into the tourism industry and are really advertising and promoting are finding that tourism is their most powerful public relations tool for their country.

We in Virginia have found in the last several years, as we have started to really look at the international market, and we really have not been doing it for more than 3 years, is that not only does it bring us more travelers, but it actually does help to enhance other activities in economic development.

We are finding ways to use tourism to enhance agricultural programs, industrial development programs, some of our other rural and urban development programs, and as a catalyst to exposing the different parts of our economic development capability.

We now pursue tourism promotional programs in Great Britain, West Germany, Israel, Canada, and Japan. In 1988 we will kick off programs in France and will begin some additional marketing --

Senator ROCKEFELLER. Could you give those countries again that you just gave?

Mr. MCMAHON. Yes. We are in Great Britain, West Germany, Israel, Canada, and Japan. And we will be starting in France in 1988.

And we will also be doing research in several other countries to see what is necessary if we chose to go into those countries. We also carry out our programs basically through cooperative activity with airlines, car rental companies, hotels, attractions, tour operators, and the regional locality destinations within the State to increase that effort.

We then work in promotional programs with other States and cities, such as George Washington Country regional organization and with another regional group, because we are kind of a pivotal State, called Travel South, which are the 11 States of the South.

Some of these are formal programs, others are more or less on an informal basis. In those programs, we are normally looking at ways to come up with joint advertising programs, which is a faster way to stretch our dollar, and looking at ways in which we can do familiarization tours of the type that is being mentioned between Virginia and West Virginia that we will be scheduling in the spring.

Those are ways that we can work together to increase our efforts. Now, these partnership programs that I speak of have been principally motivated and expanded through the leadership of USTTA. Three years ago, had it not been for the assistance that we received and the push that we got from USTTA, we wouldn't be where we are today.

And we have continued to go back to them and ask for additional help. It has meant in some cases we had to go back to our own trough and find some extra money to come back to them and say: Okay, we will go into this program; here is our piece of the chain.

We have begun to look at the need then to expand our budgets, to reach more of our international program. And I am happy to say that this year we will be spending almost a half a million dollars on our international promotion. We are already going to the legislature this winter to try and double that portion, and that from our standpoint still is not enough, but it is going to get us out there with a lot more visibility than we have.

In looking at the things we are doing with the USTTA, one of the tools we use is their marketing research, and they are really the best source of information we have on the international marketplace. The problem is, it is still not enough and we need more definitive information and we need it faster, and they are aware of that. But it is a funding problem.

We are getting together. We are doing a lot of multi-state, regional activities. And I think when you look at the list of activities that USTTA has been able to accomplish with States and cities over the last several years, it is impressive.

But again, there are a lot more things we could be doing and there are a lot more markets out there that we could be getting into and need to be getting into if we are going to compete against these other countries.

We are definitely facing an extremely fierce competition out there. We go to international trade shows overseas, and we are there with a table and a nice little backdrop, and across the way is Germany with a full Octoberfest going on.

They get the attention of people. We have trouble doing that. We have trouble when we go to a trade show, letting people really know that the U.S. is there.

Yes, they are seeing some of the regional groups now. They still really are not seeing the United States there and the dynamic presence it can have when it really wants to do it.

And I guess it bothers some of us, because we are supposed to know how to do advertising better than anybody else in the world, yet we cannot really do it when we get out there in the big world.

We are looking right now at another problem that has developed, and that is, because of the cuts to do business overseas, and the dollar being down. That means it costs us more when we go overseas to market.

That means it cost more for USTTA to operate their regional offices. This summer they were forced to close most of their consumer offices where they provide information to people who come off the street.

And for a small State program like West Virginia, that may be one of the few ways that they can get that information to the market. When someone in Great Britain walks into the London office of USTTA, starts looking at the shelves and says, oh, that looks interesting, and pulls a West Virginia folder.

Today, they cannot do that. And we think there needs to be some type of an inflationary mechanism built into the USTTA budget so that they can at least stay at the status quo of the programs that are established, and we do not have to start closing things down just at the point when we have got the best opportunity.

Senator ROCKEFELLER. Do you think the fact that the United States will spend $50 million over the next four years on tourism internationally, and that Singapore will spend a billion and a half on tourism internationally, is perhaps awkw

Mr. MCMAHON. I think there is a little problem there, Senator. I wonder if we know our business as much as we tout that we do in that area.

I do want to applaud the USTTA efforts. I think with the limited funds that they have had, the dedicated staff they have, we have gone a lot further than we might h

I think the concern you raise is that we have just begun to crawl, and we need to be out there running today.

I think that without that leadership, the 50 States would be just 50 little countries running around in the marketplace.

And I would hope that we would become again a big dynamic country that is out there, and that all 50 States are able to benefit. I would be glad to answer any questions you might have.

Senator ROCKEFELLER. Senator Trible.

Senator TRIBLE. Thank you, Mr. Chairman.

How much money does Virginia spend on tourism?

Mr. MCMAHON. The total tourism budget in 1987 is $7 million. We are spending about half a million of that in international promotion.

Senator TRIBLE. And who are the people that are coming? Divide up that international market for the people that are coming to Virginia.

Mr. MCMAHON. Fifty percent of our international visitors come from Canada.

Senator TRIBLE. Fifty percent?

Mr. MCMAHON. Fifty percent. The next would be 10 percent that are coming from Germany. Then it drops down to about 8 percent that now come from Japan. That has been a growing market for us.

Then it drops down just a little bit below that into a 7 percent level with France, and the same with the UK, then it spreads out across the world.

Senator TRIBLE. What country offers the greatest promise for increase, given the geography of Virginia and the attractions of Virginia?

Or is it simply a case of not really getting the message out in any of these countries?

Mr. MCMAHON. I think it is not getting the message out. All of our research is showing that every market we are now in and several markets we would like to be in would show large increases if we were just out there making more noise.

Senator TRIBLE. Given the limited funds, what countries have the highest priority?

Mr. MCMAHON. Germany and Japan are the two highest, followed by Britain, Israel. And Senator, as you know, there is a special project of the Governor having to do with the Virginia-Israel Commission.

And then followed by that right now would be France.

Senator TRIBLE. Are you getting a lot of tourists from Israel these days?

Mr. MCMAHON. It is more than we have ever gotten before, and that is probably because of what has been going on.

Senator TRIBLE. How many?

Mr. MCMAHON. Well, we have already shown this summer some 5,000 that have come out of Israel.

Senator TRIBLE. What single thing can the Federal Government do to make the most difference in attracting the international visitor?

I do not mean spend more money. Obviously, everybody wants the Federal Government to spend more money. And if we do something else, we may have to spend more money.

But of all the programs, initiatives, ideas, is it the strong national promotion, is that the most important thing?

What single step?

Mr. McMAHON. I think right now it is the facilitation they are providing for regional and coop programs. That is right now, with what money they have, that is where they are making the biggest punch.

Senator TRIBLE. So you would give that then the priority, given the limited resources? It is that cooperative venture with the States?

Mr. McMAHON. That is right, bringing us all to the table, and putting a little of their money, and we put our money in, and we go out and sell.

Senator TRIBLE. All right, now, what can be done by us to strengthen that program?

Mr. McMAHON. I think——

Senator TRIBLE. And you can mention dollars.

Mr. McMAHON. Thank you. Dollars very much is the case, not only to open up more programs, but to also give them the staff and the research capability that they need to be able to expand.

Senator TRIBLE. Now, if I may, Mr. Chairman,pursue this just a step further.

On this cooperative program, what is it that the Federal Government offers that you find the most helpful? Is it the ability to measure overseas markets?

Is the expertise in promotion one's State? Is it bringing together States and independent entrepreneurs who are involved in the tourism industry?

I mean, I am sure all of the above might apply. Those are the most valuable kinds of things, are they not?

Mr. McMAHON. That is right. It is the identifying of marketing vehicles, and then bringing the right group together that can best utilize that marketing vehicle.

Senator TRIBLE. Mention was made—and this will be my final question—that Virginia was working with PanAmerican Airways, I guess to attract European visitors.

Mr. McMAHON. That is correct.

Senator TRIBLE. Is that a State initiative with PanAm? Is that the kind of venture that has helped?

Mr. McMAHON. USTTA was involved in that. The Travel Industry Association of America had their hands in that one, and the State has continued to work on that relationship.

And today, we are carrying out coop advertising programs in three countries with PanAm that have been extremely successful.

Through that we have also opened up a number of FAM tours, not only for tour operators, but also for travel writers coming from three countries. We have also been able to now start developing tour packages.

Most of them are built around PanAm. Actually, it has opened some of the capabilities with a couple of other airlines that are in Europe, from what they stimulate.

Senator TRIBLE. Do you jointly construct a marketing strategy, and is there a sharing of costs as well?

Mr. MCMAHON. Yes, we actually sit down and look at the markets together. We pool our research information.

We turn around and, using some of the advice from USTTA, and now with the relationship being 3 years old, we are using some additional information that we get just on our own.

And we decide on what the best media and what the best packaging is, and then we go out and do it together, and both of us put money into it.

Senator TRIBLE. Thank you very much.

Thank you, MR. Chairman.

Senator ROCKEFELLER. Thank you, Senator Trible.

Mr. McMahon, when you talked about the $500,000, that was just for international aspects of promoting the State of Virginia?

Mr. MCMAHON. That is correct.

Senator ROCKEFELLER. And how is that money spent? What do you spend it on?

Mr. MCMAHON. Well, over $400,000 of it is spent directly on advertising.

Senator ROCKEFELLER. What kind of advertising?

Mr. MCMAHON. It is all coop advertising done with either airline or other partners. It is always done in a coop vein.

Some of it also is used in a couple of the regional projects with the Travel South group. At this point we still have not identified one that we can really do with George Washington, due to the fact that most of the other George Washington States do not have the advertising dollars to put into it.

We are hoping—we have been talking. We think possibly with the District of Columbia we are going to be able to at least get one off the ground with them next year.

The rest of the money is used for some staff that is related directly to our international activities, our familiarization tours, to some special public relations we are doing with travel writers.

And we have now started to take some of our publications and have them translated, so that we actually have German and Japanese text material.

Senator ROCKEFELLER. You have in Virginia some enormous tourism spots, for example, I am sure Mr. Smith is going to find it in his heart to mention Busch Gardens. And we wish the St. Louis Cardinals well.

Mr. SMITH. Thank you.

Senator ROCKEFELLER. As well as Williamsburg and some very major things which are known internationally.

What, however, is the effect of promotion that you do on, let us say, the small businessman, the person that has the country that is not part of a large well promoted clearly rooted to a piece of history, or specific marketing effort?

But do they get the benefits of this through a trickle-down theory? When you promote the State, does it affect the entire State roughly equally, if you know what I mean?

Or does everybody pour into the famous places, and then if they have got enough time, go out to the others? How do you see that pattern?

Mr. McMAHON. Well, it has to be a trickle effect at this point. Again, we would have to spend a lot more money to really go out there and put all of the action on the table.

And part of this is the strategy when you sit down with your airline partners. And we have brought in tour operators and travel agents from overseas at this point.

We are introducing ourselves, and we want to get the biggest bang for the buck. We want people to go back and begin to talk about us, because that is part of the marketing too.

So, yes, we are looking at the impact we can have in marketing Northern Virginia, and what we can do in marketing our major theme parks like Old Country and Williamsburg and Monticello; those key places. They are very much a part of the mix.

But as we start to work with tour operators and travel agents, at that point we start to bring onto the table all these other different capabilities that are out there.

And the more we work with them, the more we are finding that they are looking for alternatives. We are also getting into second trip type traffic where, already having seen Williamsburg, they may wish to go out and see those mountains.

And we are starting to work more in that area. But we are not going to kid anybody at this point. We are going to sell the big attractions right now, because we have got to first introduce the State to the world.

And also, those big attractions such as Old Country, Williamsburg, are capable of riding with us and also putting their money on the table, and helping with some of this cooperative promotion.

Senator ROCKEFELLER. Thank you very much, Mr. McMahon. We will come back to you also.

Senator TRIBLE. Mr. Chairman, if I may interrupt, I am going to have to leave, and I want to apologize to the panel members that remain.

But for the Iran-contra hearings, this is the longest that I have been in any hearing in several years. And it is a testimony to a lucky day and good witnesses.

I thank you all for coming and for adding to our understanding of the dynamics of the tourism industry.

Hopefully, together we might do something good.

Senator ROCKEFELLER. Thank you, Senator Trible. And I might point out that Senator Trible is the ranking Member of this subcommittee. He has been enormously helpful. He is very, very aggressive on all things that relate to the best interests of Virginia, and sometimes that washes over into West Virginia.

And we have done some good work together, and will continue to. Thank you, Senator.

[The statement follows:]

STATEMENT OF PATRICK A. McMAHON, DIRECTOR, VIRGINIA DIVISION OF TOURISM, VIRGINIA STATE DEPARTMENT OF ECONOMIC DEVELOPMENT

Mr. Chairman, I appreciate the opportunity to testify before the Committee on the subject of expanding the U.S. tourism marketing potential to attract foreign visitors to the United States.

Today, more than ever, the majority of state governments and over 175 national governments understand the significant economic impact that tourism has on their economies. They are well aware of the additional tax revenues and employment opportunities that tourism can afford them as manufacturing growth continues to decrease. Secondly, governments realize that international tourism receipts can contribute substantially to a healthy balance of payments and provides a major source of foreign currency.

Governments outside the U.S. have assumed the prime responsibility for generic promotion to enhance the impact of promotion undertaken by the private sector. In doing this they serve the broader interest of their national economy and at the same time enhance their national image in the global community.

However, the U.S. tourism effort at both the federal and state level continues to only begin to tap the potential that the global tourism marketplace offers and the benefits that could be derived from expanded promotion.

In the last three years the Commonwealth of Virginia has increased its advertising and promotional activities to capture the growing international market. In doing so it has not only benefited from increased tourism activity but has also enhanced activities in other economic development areas including industrial development, agricultural products promotion and urban and rural development.

Virginia now pursues active tourism promotional programs in Great Britain, West Germany, Israel, Canada and Japan. In 1988 we will kick off programs in France and will carry out marketing research in several other countries to asses potential expansion programs in the next several years. These programs are carried out with public and private sector partners that include airlines, car rental companies, hotels, attractions, tour operators and Virginia regional and locality destination offices.

To increase both effectiveness and efficiency Virginia also develops advertising programs with other states and cities through formal and informal regional activities. This regional approach enhances the capability to identify destination areas for extended vacations and can center around key U.S. international arrival gateways.

These partnership programs have been motivated and expanded through the leadership of the United States Travel and Tourism Administration (USTTA). USTTA co-op promotion and advertising programs, research, marketing seminars, FAM tour development, overseas offices and specialized assistance have made the difference for Virginia and other states in marketing to the international traveler.

Virginia, even with its current successes in the international marketplace, realizes it has only tapped the potential that can be generated. It, as many of its sister states, continues to turn to USTTA for additional leadership and assistance in organizing, coordinating and implementing additional country promotions.

USTTA provides much of the needed marketing research on foreign travelers but limited funds make it difficult to provide the in-depth research required in today's marketing environment and to be able to do it in a timely manner.

The efforts by USTTA to bring together regional (multi-state) groups along with airlines and other private sector tourism suppliers has produced marketing activities that have been better focused and much more effective than the individual entities could have carried out on their own. Again, these joint cooperative activities have only tapped the tip of the iceberg. Increased funding will allow more partners to participate and thus expand efforts to reach millions of additional foreign travelers who are not hearing about the many destinations of America. In fact those travelers are being romanced by many other governments who are spending more and more money to capture their interest.

In facing up to the fierce competition that is challenging the U.S. tourism market, the U.S. still does not have a broad-based generic promotional program. Bits and pieces of the U.S. are now seen by the foreign traveler, thanks to the regional promotional activities, but the U.S., as a dynamic destination not being sold. If you watch German or British television you will see generic tourism advertising being aired by dozens of countries through their governmental funded programs. But the U.S., who is viewed as being the leader in the development of advertising techniques, has no message that promotes the U.S. as one exciting destination to visit.

Now, when the dollar is down making it a bargain to visit the U.S., USTTA regional offices overseas were forced to close their consumer service facilities due to rising costs and no inflationary mechanism to maintain a status quo. This meant that potential travelers did not have a local source for additional information where other countries continued to maintain their store front operations.

I will be the first to applaud the USTTA efforts currently being carried out by a dedicated staff, but one that has limited resources to accomplish their mission. I will also agree that state governments need to increase their efforts and that one way to effectively do it is through regional activities. However, states' primary mission is to promote American travel within the U.S. which is also important to the balance of payment—keeping the American dollar at home. We need USTTA facilitation, assistance and cooperative funding to be successful overseas. We also need the generic U.S. story to be told around the world.

It should also be pointed out that the majority of the tourism infrastructurei n the U.S. are made up of small businesses. In Virginia that adds up to 41,000 travel related businesses. All of the financial and management problems inherent in the tourism industry are magnified for small business. These obstacles make it extremely difficult for the small tourism business to actively participate in the international marketplace. They are therefore dependent on federal and state government promotional activities to stimulate travel to their destination.

In summary, USTTA has, with an extremely limited budget, led the U.S. travel industry to begin to meet the demands of a dynamic global market, but without additional funding it cannot be expected to provide the necessary leadership to maintain and increase the U.S. tourism international market share. Without that leadership, we will just become 50 more little countries in the marketplace instead of the single most exciting destination on the globe.

Again, I thank you for the opportunity to provide testimony on the Committees efforts to increase the tourism potential of America. I will be happy to answer any questions the Committee might wish to ask.

Senator ROCKEFELLER. Lt. Governor Johnson, you are part of the Great Lakes region, and you have been very active in your State, and you personally are attracting some international tourists.

Would you care to tell us about some of your thoughts and experiences? And we are very grateful that you are here.

STATEMENT OF MARLENE JOHNSON, LIEUTENANT GOVERNOR, STATE OF MINNESOTA

Ms. JOHNSON. Chairman Rockefeller, I really appreciate the opportunity to be here. And I am grateful to you for your leadership in bring this issue to a much stronger focus for the Congress and for all of us in the industry.

The people you have heard testify already are really the people who make this all happen, and they know the details of what is working and not working far better than I do.

But what I do know is how important tourism is to the economic wellbeing of our State. Four and a half years ago, when Governor Perpich and I took office, tourism was perceived by both our legislature and a good share of the public as insignificant to the economy and something that was superfluous I would say would be a nice way of putting it.

And since that time we have completely turned around that misperception, and we have begun to document the real value of tourism to our industry.

Right now, it is the second largest employer in Minnesota, employing about 108,000 Minnesotans. In 1985, which is the most recent year for which we have complete figures, $5.3 billion in travel expenditures were made in Minnesota.

That contributed about $271 million in State tax revenues, and another $49 million in local revenues.

So clearly, we have come to terms with the importance of the industry to Minnesota, and we are finally recognizing that State expenditures in tourism are an investment, not an expenditure.

Back in 1982, we were spending just a bit over—about $1,200,000 annually in tourism promotion. We are now at $6 million. I was horrified to learn we are not spending as much as Virginia, I have to tell you. But we are in the pack, at least, in terms of those States with whom we are competing, and also, making it possible to really focus very carefully on where our most important market is.

The most recent legislative audit for Minnesota concluded that an investment in tourism expenditure gave us a $16 return on investment.

I would consider that to be very, very good, and I also recognized the legislative auditor to be very conservative in estimating.

So I think we are learning that these expenditures are in fact an investment, and one more way of spending money to make money.

As has been pointed out in earlier testimony, the States are increasingly becoming sophisticated in knowing how to market to the domestic market, and doing that effectively. We certainly feel that we are learning that extremely well in Minnesota.

But Minnesota represents also the classic land-bound State. The States that have the most difficulty, or the greatest challenge in marketing internationally, we are least well known.

We are lucky in Minnesota to be a Great Lakes State, and a Mississippi River State. And those two facts give us, while not an advantage internationally in that people still think of the coasts when they think of the United States, they, mostly children learn, growing up, all over the world, where the Great Lakes are and where the Mississippi River is.

And so our ability to work collaboratively with the Great River Road States as well as the Great Lake States has made an incredibly successful program in marketing internationally.

And the USTTA has been really the organizational force to develop those effective programs.

Just this week in fact I was out here on business, so I was not able to be at the meeting, but just yesterday, a meeting concluded in St. Paul of the six Great Lake travel offices, a meeting cosponsored with the USTTA and Northwest Airlines, doing additional work on how we can effectively market internationally.

I am increasingly pleased by how this program is going, and recognizing that it has been the chief impetus for us to develop those products.

You talked about that earlier today. We have found that the most effective tool we have in marketing internationally, both in Europe and in Japan, is our ability to design products that can be taken off the shelf, as you pointed out earlier.

We have been doing that now for a number of years very successfully. And it has been good for our own industry, too. Because the Midwest has not been as aggressive in tour packaging until recently.

We are just getting into the tour packaging, understanding what it can do, developing facilities that can handle tour packages in a more sophisticated way.

Senator ROCKEFELLER. Why has that changed recently, do you think?

Ms. JOHNSON. I think it has changed because—well, the international aspect has helped it change to some extent, and also, because we realize that if we cannot handle tours, there is this whole group of travellers who are going to head right on through Minnesota and go to North and South Dakota and Montana. And if we want them to stop in Minnesota, we have to be able to take care of them.

And also, the international market, which increasingly we see as the growth, the real growth, long term, we can only do it if we can package well.

And that just has taken an education. And as our industry itself grows in sophistication and confidence, and as our facilities are developed, we are able to do that.

And it is very, very exciting to see.

Senator ROCKEFELLER. Do you target internationally?

Ms. JOHNSON. We target to Scandanavia, Germany, Japan; to some extent Great Britain and France. Northwest Airlines helps us target, of course, because we are a gateway city, and where they fly, we have greatest access to the international traveller.

We have also targeted to the business traveller. Someone mentioned that earlier today. While that program is not as well developed yet, we recognize that business travellers are already here, and if we can give them even a day of personal time, if they can take a day of personal time to see the sights, they are much more likely to come back with their families.

And we see that as a better opportunity, coming to Minnesota, for instance, and spending all your days in high rise corporate buildings and hotels does not give us much chance to sell to them.

So for both European and Japanese business people it is very important to get them to stay extra time; with Europeans, particularly, to give them a taste of our cultural opportunities which are much greater than anyone realizes until they have been there.

Senator ROCKEFELLER. That is interesting, because when USTTA says that 22 million people came from overseas to our country, they do not include business people in that.

That is only people that come for the purpose of being tourists.

Ms. JOHNSON. I believe that is true.

Senator ROCKEFELLER. So you are trying to wedge into a new dimension, now.

Ms. JOHNSON. Yes, exactly. And our world trade center just opened a couple of weeks ago. So that reflects an increasingly aggressive international trade program for our State, too.

And we try to do a lot of collaborative work with that. And the issue in all of that international work, of course, is: Where is Minnesota?

I mean, we have to give that message sometimes in New York and California too, you understand. But when we are talking about international, we have to talk about it in very clear terms.

And that is why the Great Lakes promotion is very, very helpful. Because geography and people's knowledge of geography, is always the best way to get started, because that is what we learn first.

We all know where the great rivers and the great lakes of the world are.

So I just want to add my strong support for your efforts to increase and strengthen the USTTA program.

We believe that the leveraging of resources between the Federal program and State program, as well as private resources, cannot be underestimated.

We have done our entire tourism program in partnership, by design. But I want to be very clear that in my view, that partnership is only possible by having a strong initiative, both at USTTA and in our State tourism offices.

The private sector cannot play its role effectively, if we do not have a well thought through strategic plan, and an educational component that can help people learn how to do this better.

Thank you very much.

Senator ROCKEFELLER. It is interesting, Governor Johnson, when you say you take your State's budget, which is $6 million a year, and add that to Virginia, which is $13 million, neither Virginia nor Minnesota is among the largest of our States.

And yet the two State budgets exceed by a million what the entire National government spends on tourism. And this irony has to be picked up.

And it is not just a question of somebody trying to spend more money. But if it is one of the fastest growing industries in the world, and it is there for our taking, it is awkward to say the least that we here in the Congress have to fight each year to preserve any budget at all for the United States Travel and Tourism Association.

Ms. JOHNSON. I could not agree more, Senator.

And the other piece of that, as you say that, it reminds me that we have learned increasingly that the partnership between our tourism effort and the rest of the trade program is a very important sister-brother relationship, that it works hand in hand.

And the better we do in one area, the better we do in the other. And if we are serious about doing something about the trade deficit, the tourism piece of that has to be aggressive and effective.

And it is just, in my view, foolhardy to even consider abandoning the program, much less not increasing it substantially.

Senator ROCKEFELLER. Good. That is very helpful.

[The statement follows:]

STATEMENT OF MARLENE JOHNSON, LIEUTENANT GOVERNOR, STATE OF MINNESOTA

Thank you, Chairman Rockefeller, for this opportunity to appear before your Subcommittee to share Minnesota's views on the important economic issue of tourism. We share your support for increased tourism promotion and appreciate your leadership on tourism issues in the Congress.

Travel and tourism is a major contributor to the economy of the State of Minnesota. The tourism industry is the second largest employer in Minnesota, accounting for 108,000 jobs. In 1985, the most recent year for which we have complete figures, over $5.3 billion in travel expenditures were made in my State. The travel industry contributed $271 million in State tax revenues, as well as an additional $49 million in local tax revenues. These figures represent a major contribution to our economy. I am pleased to tell you that we have seen continued growth in Minnesota's tourism economy, especially since 1982.

When Governor Rudy Perpich and I took office in 1983, Minnesota's tourism promotion budget was just $1.2 million. This spending level placed us in the bottom third of the fifty States in the commitment of State resources to promoting the travel industry. We felt this was much too low and pledged in the early days of our Administration that we would look to our tourism industry as one of the tools we would use to improve Minnesota's economy.

Today we are spending almost $6 million a year to promote Minnesota as a vacation and travel destination. This increased investment by Minnesota in our State's tourism industry has paid off big dividends. A legislative audit of our tourism promotion programs for 1984-1985 showed a return of $16 for every $1 we were investing. There is an old saying, Mr. Chairman, that you need money to make money. I believe there is no better example of this than the return of increased jobs and revenues in the investment we have made. We hope to continue the upward trend in funding for tourism promotion. Competition for tourism dollars is getting keener and more sharply focused as the States and also the Provinces of Canada recognize the tremendous potential for economic development through increased travel. To continue the growth in jobs and revenues in this sector, we believe that we must continue to increase our investment to insure that we maintain our market share.

Minnesota and the other States are clearly in the best position to market themselves to the traveling public of this country. We know best in Minnesota which of our many resources are most suitable as travel destinations and what potential visitors may be interested in. However, we are very concerned about the ability of individual States to market themselves competitively to the world. The States need a strong and well-funded program in the Federal government to attract foreign visitors to the various regions of our nation. This is particularly important to the States in the Heartland of America, which are often less visible and well-known to potential foreign visitors than are the East and West Coasts. The United States Travel and Tourism Administration (USTTA) is the major and in many cases, the only tool with which States can generate increased travel from other countries.

Using the example of Minnesota's experience in demonstrating the return on investment from tourism, I think a strong case can be made that the level of funding for USTTA should be substantially increased. If the United States is to be competitive with other potential travel destinations, USTTA funding must be increased. As I said earlier, if you want to make money, first you need money. Without the necessary investment in the promotion of the tremendous tourism resources in America, we can't expect to grow or even maintain our current market share in today's global tourism marketplace.

USTTA staff, including Donna Tuttle, Under Secretary of Commerce and the head of USTTA, just this week joined with the travel industry of the Great Lakes region in a major International Tourism Conference. This conference was sponsored by USTTA, the six Great Lakes Travel offices and Northwest Airlines and just concluded yesterday in St. Paul. This is the first time such a conference has been held in our region. Minnesota's conference participants are excited about the possibilities for an increase in foreign visitors to our region due to enhanced USTTA/Great Lakes cooperation and coordination. There are many other examples of States working cooperatively with USTTA, but I believe nowhere is this cooperation more important than with those States that do not or cannot have a major marketing and informational campaign overseas.

Minnesota ranked 20th among the 50 States in terms of foreign visitor spending for 1985, with a little over 104,000 overseas visitors. Since 1983, our market share of overseas visitors has more than doubled. This tremendous increase was achieved by not only what we have done, but also through the efforts of USTTA, upon which a State the size and geographic location of Minnesota must rely. We could have achieved a greater increase, I believe, if the USTTA had more resources.

In closing, I would stress again that America's tourism industry requires an investment from the public sector. I've been able to share briefly with you the dramatic payoff for Minnesota's small investment in increased tourism promotion. If our nation's travel industry is not treated as an investment, it will not flourish and we will lose the economic growth and jobs which this industry can provide. I urge you, Mr. Chairman, as well as the other members of this Subcommittee and Committee, to look for ways to increase the Federal government's investment in tourism. I know that the States stand ready to join with USTTA in the effort to promote America to the world.

Again, Mr. Chairman, I appreciate the opportunity to appear before you today. I would be happy to answer any questions which you or the other members of your Subcommittee may have.

Senator ROCKEFELLER. I would like to go next to Dorothy Maitland of Montana Leisure, Inc., who probably wants to attract some of those folks that pass through Minnesota.

She is also chairperson of the International Marketing Committee of the National Tour Association, and that is one of the reasons why I am very glad you are here.

Because we are, again, emphasizing international tourists, what do we do in this country, as States or as a Federal Government, or in cooperation, to help encourage people to come here, as well as USTTA, which we have to say all throughout this hearing, and any others we have, is an incredibly good organization.

Donna Tuttle is an absolutely first rate person in the tourism field—very aggressive, very good. And yet, trying to hang on each year to know whether or not there is going to be any budget at all to spend.

So she wants to work with the States and with private industry, which you represent also.

So we welcome you here, Ms. Maitland, and please go ahead.

STATEMENT OF DOROTHY MAITLAND, MONTANA LEISURE, INC

Ms. MAITLAND. Thank you. My name is Dottie Maitland, and I am president of Montana Leisure, Inc., a tour company located in Kalispell, Montana.

I am also a member of the National Tour Association board of directors, and in that capacity, serve as chairperson of the association's international committee.

On behalf of the National Tour Association, I would like to express my appreciation for the opportunity to appear here today, and to discuss with you the United States travel and tourism administration.

As a national trade association, NTA is active in making its views known to Congress. Sometimes we find ourselves in the position of having to raise concerns or objections regarding some type of government action or policy.

Fortunately, that is not the case today. We come before you with a very pleasant and positive message concerning USTTA.

Before I review our experience with USTTA, I would like to add a little perspective to my comments by providing you with some background on the National Tour Association.

NTA is the largest group travel association in North America. Our membership of over 3,000 businesses include approximately 500 tour companies, 2,500 tour suppliers such as hotels, restaurants, sight-seeing attractions, and transportation providers, and over 500 destination marketing organizations.

Examples of these types of organizations include local convention and visitors bureaus, and State travel associations.

The nucleus of our membership is our tour operators. These companies package group tours, and market those tours directly to the public and through travel agencies.

Tours provided by our members are primarily motor coach tours,but increasingly involve intermodal travel, such as air, rail or cruise.

We have tour operator members located in each of the 50 States. Most of these companies are small businesses, and many are family owned.

This year, NTA made a decision to mount an effort to assist our tour operators in more fully assessing the in-bound international group market.

Up to that point, our association and our tour operator members have dealt primarily with the domestic market. The decision to broaden our focus is due in large part to the encouragement received from USTTA.

Through the assistance and information provided by Undersecretary Tuttle and her staff, NTA members have realized the immense potential represented by the in-bound market.

1987 was designated as a planning year for our entry into the market. Next month, our board of directors will take final action on a comprehensive international market plan for the association.

USTTA has been a most willing and able resource in the planning process, and next year, as we begin implementation of our plan, we will be dependent upon a wide range of support services from USTTA.

Thus far, I have reported on three general areas in which USTTA has been or will be extremely helpful to NTA members: encouragement in becoming involved in the international market; extensive planning assis-

tance; and the followup support we will be receiving next year and beyond.

Now, I would like to provide you with some specific examples of the critical support we receive from USTTA. At NTA's annual convention, to be held next month in Baltimore, Undersecretary Tuttle and her staff will present a seminar to our members on accessing the international market.

We have identified education and the dissemination of information as the key to enabling our members to effectively serve international visitors.

The USTTA presentation in Baltimore will be a major and most appreciated boost to our educational effort.

A second important area of involvement is USTTA's ability to form linkages with the U.S. travel industry, and between ourselves and the international travel industry.

As one small yet very important example, USTTA was able to bring NTA together with a major airline which operates a large number of international flights.

The agreements reached during this single meeting will significantly enhance NTA's ability to each out to the international market.

Additionally, next year, we will be depending on USTTA to assist us with our involvement in international trade shows and overseas trade missions.

Another significant area of involvement by USTTA is the U.S. regional efforts it has undertaken. In addition to my work with the National Tour Association, I am a member of the Old West Trail Foundation board of directors.

The five-state regional tourism marketing organization recently held an economic summit conference on tourism which involved the governors of North and South Dakota, Wyoming, Nebraska, Montana, along with representatives of the travel and tourism industry from each of those States.

It is a very simple fact that this extremely beneficial conference would not have occurred without the support, assistance and direct involvement of USTTA.

There is another important point which I should make, both in regard to USTTA's involvement at the regional levels, and with the organizations such as the National Tour Association.

It is through efforts such as these that those of us tucked away in the middle of Montana or West Virginia or other non-gateway areas of the country can successfully compete for the international visitor.

Conversely, it is also through USTTA marketing abroad that international tour operators, travel agencies, and visitors themselves can become familiar with and interested in the almost infinite number of lesser known destinations our country has to offer.

In my own personal case, a significant portion of my business now comes from international groups. I would like to think that this occurred strictly as a result of my excellent marketing abilities.

ry gladly acknowledge that I would have virtually
t involvement without the direct support received

However, I mu points I would like to make. First, we stay in a
no international rzement that USTTA is able to accomplish all that
through USTTA. d resources available to it.

There are two ould encourage you and this subcommittee to do
constant state of r power to not only assure continued funding for
it does with the li work toward a funding level which is commen-

Mr. Chairman, efore us.
all that is within oken at length about the various services and sup-
USTTA, but to USTTA. I want to make it abundantly clear that
surate with the ta

Secondly, I hav efforts an organization such as NTA and others
port available fro f their members, and despite the individual efforts
despite the excel ithout a public partner such as USTTA, those ef-
put forth on beha ort of our goal of bringing increasing numbers of
of those members to our country.

forts would fall fing we hear from time to time in the business com-
international visit ally repeated with a sly grin or a wink.

There is an old am from the government, and I am here to help
munity, and it is

That saying is: TTA, no grin or wink is necessary because it is the
you.

In the case of ou very much for your time and attention, and for
truth. Again, than eak before you today.
the opportunity to

ER. Thank you, Dottie. We are going to come back

Senator ROCKEF go to Brian Smith now because he has got a plane
to you, but I want less.
in about an hour

Brian, as I dicated before is from Busch Entertainment
Corporation, is als chairman of the International Marketing Committee
of the Travel Indu y Association.

You have prod d a fairly major effort or study on this, and I wel-
come information bout that, Brian,or anything else—and particularly
how you think th Vince Coleman is going to handle the dampened
base paths out in ndlestick Park.

STATEMEN OF BRIAN SMITH, VICE PRESIDENT FOR MARKI ING, BUSCH ENTERTAINMENT CORP.

Mr. SMITH. Than you, Mr. Chairman. I am very anxious to see the
game tomorrow n ht. We will see. There was much consternation in
St. Louis as of yes rday.

I do appreciate he opportunity to present testimony in support of
the continuing pro otion of the U.S. as a tourism destination.

As you mentio d, I am vice president of marketing for Busch
Entertainment, bu I am also here today as chairman of the Travel
Industry Associatio of America's USA Marketing Council.

The USA Marke ng Council is a private sector organization made up
of the top interna onal marketing executives from all segments of the
U.S. travel and to rism industry, that basically represents hotels, air-
lines, car rental c mpanies, attractions such as Disney and ourselves;
really, everyone th is involved in tourism in the United States.

The Marketing Council is the successor organization to the International Marketing Plan Development Committee, which was established by the Travel Industry Association of America in June of 1983 to develop an international travel marketing plan recommendation for the U.S. Department of Commerce.

The objective of the plan was to help the U.S. Government and the private sector compete more effectively with the other 175 governments who are aggressively promoting their countries as tourism destinations.

Shortly after the marketing plan was completed and presented to the government, the Marketing Council was established to help implement the plan's recommendations, and coordinate private sector participation in the United States Travel and Tourism Administration's market planning, research and promotion programs.

The USA Marketing Council members, as well as many other leading private sector tourism entities, have been consistent participants in USTTA's cooperative marketing programs in other countries.

The Marketing Council members, and the International Marketing Plan Development Committee members believe, that only through a Federally directed and coordinated public-private marketing effort can we hope to regain our country's competitive position in the international marketplace.

Given our country's current budget and trade balance problems, we recognize that it is unlikely that USTTA will be provided with sufficient funds to match the promotional efforts of other countries.

However, the currency realignment that has taken place since 1986 is beginning to produce record numbers of visitor arrivals on our shores.

In 1987, in-bound receipts are expected to be up approximately $3 billion over 1986. Most of this increase can be attributed to the dollar exchange rate.

However, about $450 million of the increase can be attributed to public and private promotion efforts, generating over $30 million in new Federal tax revenues, over twice USTTA's budget.

Senator ROCKEFELLER. Could you break that down for me again, Brian?

In other words, that part of the percentage as you can roughly calculate it there of the increase due to the exchange rate factor is what?

Mr. SMITH. Well, 1987 will be up over 1986 by about $3 billion. We believe roughly $500 million, $450 million, is due to marketing efforts.

The other is because, frankly, travel to the United States is cheaper now than it was; and we should not take credit for that part of the increase.

But there is a legitimate increase that is due really strictly to the marketing efforts that have been made by both the public and private sectors.

Senator ROCKEFELLER. Okay, thanks. In other words, it is cheaper for the foreign tourist to be here, but it is more expensive, conversely, for us to advertise there, right?

Mr. SMITH. Right.

Senator ROCKEFELLER. So it works both ways?

Mr. SMITH. Exactly. But I think what we are trying to say, to be honest, we are operating in a good environment right now. We should not take credit for all the increase, because the dollar is working in our favor.

Conversely, a couple of years from now the situation could be reversed.

Senator ROCKEFELLER. But just to pursue that—and I do not mean to interrupt you, which I am—the dollar-yen, dollar-Deutschesmark, whatever, obviously helps.

But do you not think it is also true that there is sort of a fundamental surge? I mean it was happening before the dollar-yen in the case of Japan.

Mr. SMITH. Right.

Senator ROCKEFELLER. That there is a surge. There is much more curiosity, particularly in Japan where there is a new ethic of leisure. The younger people, the younger couples, more of the women are working, so there is more money to spend.

There is more of an insistence on breaking away from some of the older work patterns and travelling more.

Mr. SMITH. That is accurate.

Senator ROCKEFELLER. The world is getting smaller whether the exchange rate is favorable or not?

Mr. SMITH. Right. And the exchange rate, frankly, has not changed in some countries, Canada being a prime example; and tourism is up there as well.

So there are significant factors that are increasing above and beyond the exchange rate.

Senator ROCKEFELLER. And the exchange rate has not changed enormously in Korea.

Mr. SMITH. Right, and Hong Kong.

Senator ROCKEFELLER. And Hong Kong. But their tourists are increasing, are they not?

Mr. SMITH. Exactly.

Senator ROCKEFELLER. So this is an unstoppable trend, unless we do something——

Mr. SMITH. Hopefully.

Senator ROCKEFELLER. Okay, thank you.

Mr. SMITH. Just to reiterate on that a little more, for example, during the peak of U.S. competitiveness in the international tourism marketplace,during the 1971 to 1981 period, Germany increased its tourism promotion budget by 24 percent, and its receipts from international visitors increased 106 percent, even though its relative currency exchange was a liability; the strong Deutschmark.

Canada, almost in lockstep with the U.S. in terms of exchange rates over this time period, increased its tourism budget by 23 percent, while its receipts from international tourism rose 38 percent.

While promotion may not be the sole cause of these countries' increases in tourism receipts, absent the advantage of travel-inducing currency exchange rates, it is clearly a major contributing factor, confirming the importance of promotion in a country's performance in the world tourism marketplace.

Worldwide international tourism generated $115 billion in receipts, excluding passenger fares, in 1986. This market is expected to nearly double by the year 2000, reaching over $300 billion.

It is clear we must improve our competitiveness in this huge and growing international market if we are to retain the current advantage that favorable exchange rates have provided, and begin to return to the 13 percent market share of international tourism receipts that we had a decade ago.

Dr. Seely mentioned it is down to 10 percent market share right now.

We need for USTTA to continue and build on cooperative marketing programs that provide those of us in the private sector and perhaps more important, cities, States, and regions, with the catalyst around which effective market penetration strategies can be built.

USTTA cooperative promotion programs are beginning to produce impressive results, and should be supported by the Congress, and expanded to the extent that national budget priorities permit.

Thank you, Mr. Chairman. That concludes my remarks.

Senator ROCKEFELLER. Thank you very much, Brian, and all of you.

I want to get back for a moment to something I discussed with Dick Seely when he was here, and that is, the concept of regional advertising, or State advertising, but let us say regional for the moment, as opposed to the generic, that is, advertising the country.

And in the case of West Virginia, Montana, and let us say, Virginia, for both of you, you do have to get the people to come to the country first. And then when they come, hopefully, they come to your particular regions.

Does the idea of generic advertising, that is, advertising on behalf of the country as opposed to the region in terms of the scarce USTTA dollars, seem to make more sense?

Maybe, Brian, you or Dottie, would comment on that. Again, going back to the Jamaica, which is very fresh in my mind.

Mr. SMITH. The recommendation of our committee, when we put the marketing plan together, was to advertise the U.S. as a generic product, primarily because of the—we knew the dollars were not going to be significant enough if you spread them out over four or five or six different products, you start to not have the same impact as one campaign, single message, that sells the United States.

We also found in our group, even, certain airlines obviously prefer to advertise the West Coast versus the East. Certain attractions want people to come to the East Coast, not the West Coast.

Hotels have strengths and weaknesses by region.

But we all realize together, if we can increase the total pie, our individual shares of that pie would all benefit from it. And we collectively felt we wanted to increase tourism, and we would all take our

chances as to who was going to get the most advantage when the pie got bigger.

And our recommendation was also, and it is based on airline experience, hotel experience, et cetera, that we could put together a single commercial message that obviously cannot tell everything that the country has to offer, but would show a nice blend of cities, States, beaches, mountains, et cetera.

And at that point the consumer then says, yes, I will go to the United States this year. They then can decide,through various brochures and promotional programs and so on, what part of the United States they want to go to.

We obviously cannot do that in 30 seconds. But to get them interested and to make that commitment was step one.

And step two then is all the programs you have heard about today to promote individual places to go to.

And I might add that our plan, in true I think private sector fashion called for testing. Our approach was to go into one country, take this message, and spend, depending on what the country would be, maybe a million dollars, a million and a half dollars, in a particular year; measure the increase in visitation to the United States from that country, year versus the prior year.

We know how much money the people spend when they are in the States. Multiply that out, and determine whether or not the campaign paid for itself.

If it did, continue it, expand it to additional countries. If it did not pay out, fine, we are wrong, and all of the things that we have all been doing as the private sector would seem to indicate that it would work, though.

And we think that the return on the dollar would be very, very efficient, and we have all done exactly what we put into the plan as the private sector.

Senator ROCKEFELLER. You are suggesting, in a sense, a different strategy, the generic one. USTTA does it by region, and I guess the answer to that is that we need both.

Mr. SMITH. I really believe that. I think what we are doing now is absolutely effective and needs to be done.

At the same time, if we really want to compete with these other countries that are singlemindedly advertising, Australia, Germany, whatever, as Mr. McMahon said, they have an awful lot of dollars. If we start to allocate them to all the individual regions, we cannot compete effectively because we are just going to have such a low share of voice.

We need to do both, because after the person commits to coming to the United States, obviously they need lots of information as to what their options are here.

Senator ROCKEFELLER. Pat, Let me ask you something. You are competing in Germany, let us say, or Japan. As Dick Seely was saying, it is very hard to get "on the shelf." You have to get in the package. In other words, there are not enough agencies or packagers in Germany to

give individual attention to an individual tourist, family or couple who wants to come over here for two or three weeks or go somewhere for two or three weeks.

So you are either on the shelf in the package, the State of Virginia or West Virginia, for example, or you are not.

Now, what do you all do to worry about that?

Mr. McMAHON. Well, especially in the last year and a half, we have found we could build awareness, that the advertising would do that. The problem was, especially in Europe, they go to the travel agent and they look for the package. They do that in Japan, too.

I guess I am going to give away a little of the store, and my Secretary of Economic Development warned me about that. What we have started to do is, one, we are inventorying all of the tour operators in the country to find out what packages they have already developed which include Virginia, and those are going into a catalog.

Second, in those countries where we are doing our advertising program, we have, with USTTA's help, begun to do the same thing, looking at foreign operators and seeing what they already have that includes Virginia, and we are putting that into the catalog.

Senator ROCKEFELLER. You are doing that by just writing, or you just have your trade——

Mr. McMAHON. We are working with several of the trade associations. We also in both Germany and the U.K. now have a representative that works for us, and he is going out. It is fairly easy to do it. In some of those countries, you literally walk into a travel agency, and the tour packages are sitting there.

So we are going through those. We are finding out what is out there.

Then the next step is to look and see if there are any real big holes. For example, if Williamsburg did not show up in any of them, we would know we had something to do in that area.

Primarily, we want to have the inventory of what is already in existence, because we found out as we started to work with tour operators if we could bring them something that was already on the shelf where they just had to negotiate a price, they could begin to sell our product.

Now, that has stimulated some of the other tour operators overseas. As they see these other packages and they start getting ideas, then they are turning around and saying let us sit down and really develop a Virginia package.

I have to admit, almost none of them are strictly exclusively Virginia. They are tying into other destinations. We find ourselves tying, of course, to Washington, DC but also to New York in the packages that we have put together.

Senator ROCKEFELLER. Do you and West Virginia relate to each other back and forth at all?

Mr. McMAHON. We talk some. We have started to discuss a little bit of the packaging. I think the problem for us right now is our packaging has a tendency to run north/south, not east/west. Maybe with the fact that we now have Highway 64 and 77 opening up for both of us, that is going to give us the capability to do something in that direction.

Senator ROCKEFELLER. Let me ask any of you who wants to reply to this.

Does the international tourist, the overseas tourist coming to this country have a set idea about where they want to go? In other words, marketing and promoting obviously makes a difference. Nobody disputes that.

In getting the overseas tourist to change their mind about where they want to go, do they have a fixed idea? Especially the first-time traveler, or if you get to them with a new idea, let us say in West Virginia to go to Blackwater Falls State Park, which I mentioned earlier, something that is different to them. Are they open to that? Or is there a tendency the first time around to go to the places which they fairly well know already?

Mr. MCMAHON. From our standpoint, yes, they are going to go to something they know. If there is a way to introduce something new to them, however, that will get their interest, too.

One of the reasons we are doing so well with West Germany this summer is the fact that the TV show "North and South" has been translated into German and is being played throughout Germany. Of course, even though it was all filmed in South Carolina, it talks about Virginia.

Senator ROCKEFELLER. Who is to know the difference?

Mr. MCMAHON. That is right, and we have actually have tour operators who are coming to us saying we want to see those Civil War sites.

The same thing had happened to us two years ago when the George Washington Mount Vernon story was going on. So when some things like that are in the media or in their television or in magazines, or entertainment area are seen and gets their interest, that will cause them to look at new sites. That is one thing we are looking at. How can we jump on that bandwagon?

Senator ROCKEFELLER. That is hopeful. That is sort of the constant hopefulness in the whole business.

I remember when they had the World's Fair in Knoxville just how many hundreds of thousands or millions of people that went down there. We were trying to figure at that time can we get any of them to stop in West Virginia. The logic would be, well, you probably cannot because they are on their way to Knoxville.

So we started talking to bus companies that were taking tours down there, and we found, indeed, that they probably would not be willing to stop on the way down but if we could get the bus company, the bus company might interest them in stopping on the way back. In fact, for reasons which still are not very clear to me, a lot of people who had gone to Knoxville on busses decided to come to West Virginia on the way back.

The lesson I got from that was that tourists are fundamentally maleable. If you can approach them with something specific and peak their interest, they will respond.

ne great hopes of the nongateway states like
If people know or can find out something
insist on just going to the Washington
I think that is in a sense Liberty or seeing the Golden Gate Bridge.
West Virginia and Montana too, but we have our chance.
about us, they will not
Monument or the Statue o at is the import of working with USTTA
They may want to go there. M tours, familiarization trips. I know that
Yes, please. TA through the Old West Trail and includ-
Ms. MAITLAND. I think t ught a lot of notoriety to our area because
and doing our journalist F ier Park and show it over in Japan, that
we have done two with US interested. Then the consumer will go into
ing Montana, and it has b operator and want to buy.
when they talk about Gl ith focusing our market on Japan that they
causes the consumer to b t, Montana. So working with the journalists
the travel agent or the tou
Our problem has been nal marketing, it just became very apparent
literally knew nothing abo tely nothing about each other in the region
has helped.
Also, in doing our regi s for Montana, for example, Seattle, Los
to us that we know absol need to know about Montana so that they
and that are our gatewa ays.
Angeles and San Francisc the international tour operators, the interna-
can sell beyond their gate as a domestic operator are competing more
In speaking to many of our fellow operators, and we need new
tional operators such as I hese new products so that we can compete,
and more every day wi nd where we were kind of laughing about
products. In order to get d be a very good idea if representatives of
then working regionally akes sometime met with the Old West Trail
Minnesota, I think it wo ell each other's packages.
Minnesota and the Great hink that is sound.
so that we, in turn, could
Senator ROCKEFELLER. I you very, very much for taking the time to
I want to thank all of here several times. I know that. It is not easy
come to the city.
Patrick, you have been n rushed, and you have very busy schedules.
to get here. Things are of
I am very grateful.
Thanks a lot. ., the hearing adjourned.]
[Whereupon, at 4:10 p.

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

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October 22, 1987

The Honorable Jay Rockefeller
Chairman
Subcommittee on Foreign Commerce &
Tourism
Senate Commerce Committee
Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

We appreciate your calling the recent subcommittee hearing on the U.S. Travel and Tourism Administration's programs to market the United States as a travel destination. The American Hotel & Motel Association (AH&MA) has been pleased to participate with USTTA in several ventures to stimulate travel to the United States.

The American Hotel & Motel Association is a federation of hotel and motel associations located in the fifty states, the District of Columbia, Puerto Rico and the Virgin Islands, having a membership in excess of 9,000 hotels and motels accounting for over 1.3 million rentable rooms. Inclusive in our membership are all of the major hotel and motel chains.

In 1986, AH&MA joined with USTTA, Citicorp Diners Club and Pan Am in the "Spirit of America" promotion. The "Catch the Spirit" competition was part of this program. In this segment some 6,000 British travel agents were invited to take part in a contest with a variety of cash and incentive prizes for booking travel to the U.S. This program provided information to the British travel agent community on the travel bargains available for visitors to the U.S. and the diversity of sights and special events taking place throughout this country. The program capitalized on the fact that foreign visitors had increased purchasing power as a result of the decline in the value of the dollar against other currencies.

There was a 24 percent increase in travelers from the United Kingdom to the U.S. in 1986. More than 6,000 U.K. travelers visited the U.S. as a direct result of the "Spirit of America" promotion. (see Attachment A)

In 1987, AH&MA joined with USTTA once again to sponsor another promotion entitled "A Day in the Life of America". Local travel agents in London and in Frankfurt were invited to attend a day-long travel forum in each city. The presentation included a multi-media show using photographs from the best-seller A Day in the Life of America. According to USTTA there had been a misconception about the cost of travel in the U.S. and the availability of different types of lodging accommodations. The forum outlined the diversity of services and price levels available in the U.S. lodging industry. As an incentive to participate in the all day program, Pan Am supplied two round trip tickets to the U.S. to be given away as prizes at both presentations. Each participating hotel company donated two nights lodging to the trip winner.

AH&MA and USTTA were also joined in this promotion by the Official Airline Guide. The hotel and motel companies represented had an opportunity to meet in an informal setting with the travel agents and tour operators in attendance. To illustrate the product range presented, the fourteen U.S. companies participating were: Best Western International, Inc.; Days Inns of America, Inc.; Hilton Hotels Corp.; La Quinta Motor Inns, Inc.; Marriott Hotels and Resorts; New York Penta Hotel; Quality Inns; Ramada, Inc.; Sheraton Hotels, Inns and Resorts; Stouffers Hotel Company; Super 8 Motels, Inc.; Trusthouse Forte Hotels; Holiday Corporation, and the Watergate Hotel. (see Attachment B)

Neither of these promotions could have been accomplished without the cooperation and expertise of the USTTA. The travel industry overall and certainly the lodging industry are competitive. To draw various services and products together in marketing ventures such as these is possible because of the public sector sponsorship.

In the international marketplace the competition is with other governments who are far more intricately involved and often actually own their country's travel product. No segment of the U.S. travel industry can compete effectively on its own. USTTA's involvement helps to establish equal footing.

That necessary public involvement is also essential to USTTA employees overseas. As U.S. Government representatives they can make the contacts within a particular market. There was no better evidence of that than a recent AH&MA effort in the Far East and Pacific Basin. AH&MA decided to develop a video that would educate its members on how to better promote travel from Japan, Australia and Hong Kong to the U.S. AH&MA's representatives needed to meet with travel industry organizations in that part of the world and to film various segments for the program. USTTA's offices in Sydney and Tokyo made all of that possible in a compressed period of time. Indeed, it would not have been possible to develop a quality product without their assistance.

USTTA does an excellent job in providing the U.S. travel industry with access to the international market place. With proper funding USTTA's marketing education effort could be expanded along with its ability to put more of the U.S. travel product before the international market. In addition, its mission is to promote travel to and within the U.S. from overseas. Proper funding would allow more destinations within the country, beyond the gateway areas, to participate in programs directed at international visitation.

AH&MA knows that you recognize the vast potential of the U.S. as a destination and of the U.S. travel industry's contribution to the national economy. We thank you for this opportunity to present some of our organization's favorable experiences in working with USTTA.

Sincerely,

Albert L. McDermott
Washington Representative

ALM/ljh

Attachments 1/

1/ The attachments were not reproducible.

TOURISM CANADA
SUBMISSION TO THE
U.S. SENATE SUB-COMMITTEE
ON
FOREIGN COMMERCE AND TOURISM

The Government of Canada welcomes the opportunity to present its views to the United States Senate Sub-Committee on Business, Trade and Travel. The following statement will adhere as closely as possible to the points of discussion raised by Senator John Rockefeller in his letter of invitation to appear before the Committee.

In February 1985, the Government of Canada released a major discussion paper on the Canadian tourism sector. Entitled, **Tourism Tomorrow: Towards a Canadian Tourism Strategy**, the paper served to launch a nation-wide consultative process on the future of the domestic tourism strategy.

Underpinning the deliberations that were to follow, the paper clearly specified that "Tourism is expected to play a key role in the revitalization of the Canadian Economy." By targetting the tourism sector as a leading component of economic renewal, the Canadian government was acknowledging the sector's significant economic potential. Other actions, such as the appointment of a Minister responsible for tourism, the launch of the consultative process, the signing of numerous intergovernmental and intersectoral agreements and the initiation of new marketing and research programs, confirmed the Government's commitment to the industry's growth. Tourism is a $19 billion a year industry in Canada. It accounts for 600,000 jobs directly and another 500,000 jobs indirectly. For the last two years, tourism ranks with Canada's major industries in export sales, and is the country's fourth largest earner of foreign exchange.

As well as being Canada's major competition in all tourist markets, the United States is also Canada's most important source of foreign visitors. In 1986, over 13 million long-term U.S. visitors come to Canada, 87 percent of all foreign long-term visitors to the country. They spent $4.5 billion, which represents 71 percent of total foreign visitor spending in Canada.

The importance of the U.S. market to the health of the Canadian tourism industry is reflected in a number of recent federal government initiatives. In 1985, the Government of Canada commissioned a $1.2 million study of the U.S. pleasure travel market to determine the perceptions and preferences of U.S. pleasure travellers. The findings were utilised to re-design the government's U.S. advertising and marketing program, which has a $23 million budget for the 1987-88 fiscal year.

The findings were also disseminated to other orders of government, industry and tourism associations to facilitate the design and implementation of marketing strategies which would attract additional visitors to Canada from the U.S. Tourism Canada (plus its various

predecessors over the years) and the United States Travel and Tourism Administration (USTTA) have a long history of cooperation between them, particularly in the field of information exchange. Tourism Canada provided the results of the U.S. Pleasure Travel Market Study and the Canadian Tourism Attitude and Motivation Study to USTTA and received the results of U.S. inflight surveys from the U.S. organization.

A major cooperative endeavour between Tourism Canada and USTTA was announced in 1985. It was agreed to jointly conduct a market research program in eighteen countries over the next five years. The insights generated by the studies should enable both countries to draw more visitors from overseas. France, Japan, West Germany and the United Kingdom were studied in 1986. Hong Kong, Singapore and Switzerland are being studied in 1987. Joint presentations of the results were made at appropriate posts abroad.

One area in which Canada would like to see an improvement in terms of cooperative information exchange concerns data on U.S. travellers to Canada. While Statistics Canada produces very detailed data annually on Canadian visitors to the U.S., similar U.S. data on U.S. travellers to Canada is not available.

As one can ascertain from the proceeding, national government tourism bodies play a critical role in the development, consolidation and implementation of strategies to enable the tourism sector, to realize its economic potential as a generator of jobs and wealth. In the case of Canada, for example, such a body pulled together the various orders of government and industry through a consultative process that resulted in the emergence of numerous joint initiatives; in consultation with the Department of External Affairs in Ottawa, it is involved in relations with other bodies such as USTTA, the Organization for Economic Cooperation and Development (OECD) and the World Tourism Organization (WTO). As well, close coordination with External Affairs allows for delivery of the Tourism Program in the marketplace through 13 Consulates in the U.S. and 8 additional diplomatic missions in other countries. It conducts research which it shares with its partners in government and industry; it launches international marketing campaigns in consultation with its partner; and so on.

In summation, it can be stated that; the Government of Canada views tourism as a key economic sector capable of earning significant foreign exchange; Canada and the U.S. have a history of productive cooperation in the tourism field; and national government tourism bodies fulfill critical functions in both the domestic and the international arenas.

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